

# Bitou

MUNICIPALITY



## FINANCIAL STATEMENTS

30 JUNE 2011



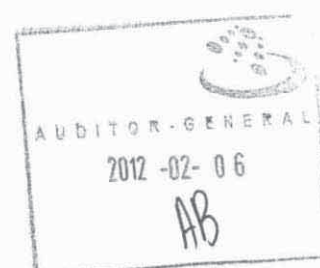
# BITOU LOCAL MUNICIPALITY

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# BITOU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## GENERAL INFORMATION

### NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)  
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Bitou Municipality also serves as an agent to Provincial Government in providing Housing to the community

### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Bitou Municipality includes the following areas:

*Plettenbergbay*

### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Councillor M Booysen</i>
Deputy Executive Mayor	<i>Councillor A. B. van Rhyner</i>
Speaker	<i>Councillor J Brummer</i>
Mayoral Committee Member	<i>Councillor C L Dreyer</i>
Mayoral Committee Member	<i>Councillor E.E. Paulse</i>

### ORDINARY COUNCILLORS

Councillor	<i>Councillor N M De Waal</i>
Councillor	<i>Councillor S E Gcabayi</i>
Councillor	<i>Councillor L Jonas</i>
Councillor	<i>Councillor M M Mbali</i>
Councillor	<i>Alderman LL Mvimbi</i>
Councillor	<i>Councillor A R Olivier</i>
Councillor	<i>Councillor L M Seyisi</i>
Councillor	<i>Councillor JJN Stuurman</i>

### ACTING MUNICIPAL MANAGER

*Mr MP Du Plessis*

### CHIEF FINANCIAL OFFICER

*Mr DD Lott*

### REGISTERED OFFICE

*Sewell Street, Plettenbergbay, 6600*

**Private Bag X 1002. Plettenbergbay, 6600**

### AUDITORS

*Office of the Auditor General*

### PRINCIPLE BANKERS

*Standard Bank, Plettenbergbay*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

### ATTORNEYS

*Mosdall, Pama & Cox*  
*Nandi Bulabula*  
*Hutchinson*



# BITOU LOCAL MUNICIPALITY

## MEMBERS OF THE BITOU LOCAL MUNICIPALITY

### WARD

### COUNCILLOR

	Wittedrif/Kurland/Natures	
1	Valley/Keurbooms/Cowie/Uplands	<i>Councillor N M de Waal</i>
2	Plett South & North	<i>Councillor C L Dreyer</i>
3	Qolweni/Bossiesgif/Pinetree/Portion of New Horizons	<i>Councillor L M Seyisi</i>
4	Portion of New Horizons/Portion of KwaNokuthula	<i>Councillor L Jonas</i>
5	Kwanokuthula	<i>Councillor M M Mbali</i>
6	Kwanokuthula	<i>Councillor S E Gcabayi</i>
7	Kranshoek/Harkerville/portion of KwaNokuthula	<i>Councillor J J N Stuurman</i>

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

\_\_\_\_\_  
*Mr MP Du Plessis*  
**Municipal Manager**

\_\_\_\_\_  
**Date**





**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

	Notes	2011 R	2010 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>432,814,766</b>	<b>408,139,205</b>
Capital Replacement Reserve	2	300,001	1,060,218
Housing Development fund	2	1,041,622	1,041,622
Accumulated Surplus		431,473,143	406,037,365
<b>Non-Current Liabilities</b>		<b>142,161,983</b>	<b>121,910,507</b>
Long-term Liabilities	3	94,659,606	85,372,146
Non - Current Employee benefits	4	40,667,623	30,279,794
Non-Current Provisions	5	6,834,755	6,258,568
<b>Current Liabilities</b>		<b>120,049,547</b>	<b>80,411,466</b>
Consumer Deposits	6	4,281,691	3,947,880
Current Employee benefits	7	14,516,810	11,434,893
Payables from exchange transactions	8	55,883,836	37,814,544
Unspent Conditional Government Grants and Receipts	9	33,980,814	22,011,999
Unspent Public Contributions	10	2,982,630	-
Operating Lease Liability	21.1	552,476	565,623
Current Portion of Long-term Liabilities	3	7,851,290	4,636,526
<b>Total Net Assets and Liabilities</b>		<b>695,026,296</b>	<b>610,461,178</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>635,165,228</b>	<b>551,028,592</b>
Property, Plant and Equipment	12	524,192,857	441,016,968
Investment Property	13	97,422,384	97,590,491
Intangible Assets	14	9,287,460	8,378,707
Non-Current Investments	16	3,971,733	3,669,257
Long-Term Receivables	17	290,794	373,170
<b>Current Assets</b>		<b>59,861,069</b>	<b>59,432,586</b>
Inventory	18	2,180,046	2,792,898
Non Current Assets Held for sale	15	37,500	-
Receivables from exchange transactions	19	20,373,116	17,391,437
Receivables from non-exchange transactions	20	10,069,163	9,439,452
Unpaid Conditional Government Grants and Receipts	9	-	-
Operating Lease Asset	21.2	4,117	5,083
Taxes	11	10,438,207	13,118,995
Current Portion of Long-term Receivables	17	75,307	80,651
Cash and Cash Equivalents	22	16,683,613	16,604,070
<b>Total Assets</b>		<b>695,026,296</b>	<b>610,461,178</b>



**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

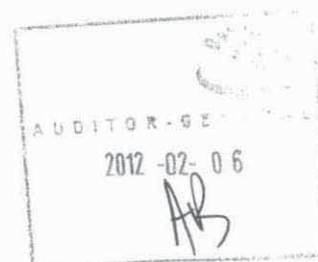
	Notes	2011 R	2010 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>181,390,129</b>	<b>162,883,947</b>
<b>Taxation Revenue</b>		<b>64,366,830</b>	<b>57,569,307</b>
Property taxes	23	64,366,830	57,569,307
<b>Transfer Revenue</b>		<b>111,243,179</b>	<b>98,892,783</b>
Government Grants and Subsidies - Capital	24	61,215,142	24,910,101
Government Grants and Subsidies - Operating	24	46,391,679	62,328,614
Public Contributions and Donations	26	3,636,357	11,654,068
<b>Other Revenue</b>		<b>5,780,121</b>	<b>6,421,858</b>
Third Party Payments		54,988	45,402
Fines		5,725,133	5,411,813
Actuarial Gains		-	964,643
<b>Revenue from Exchange Transactions</b>		<b>146,991,990</b>	<b>130,316,594</b>
Property Rates - penalties imposed and collection charges		2,779,932	2,332,064
Service Charges	27	137,025,785	115,549,561
Rental of Facilities and Equipment		900,588	1,416,760
Interest Earned - external investments		1,183,619	3,916,796
Licences and Permits		61,235	27,376
Other Income	28	5,040,831	6,753,504
Gain on disposal of Property, Plant & Equipment		-	320,534
<b>Total Revenue</b>		<b>328,382,119</b>	<b>293,200,541</b>
<b>EXPENDITURE</b>			
Employee related costs	29	102,158,196	89,656,059
Remuneration of Councillors	30	2,992,823	2,992,474
Debt Impairment	31	12,124,452	7,570,413
Collection Cost		1,226,434	892,465
Depreciation and Amortisation		16,541,420	12,480,452
Inventory Impairment	32	89,072	286,232
Impairments		176,992	-
Repairs and Maintenance		14,792,999	16,915,154
Actuarial losses	4	5,967,722	-
Finance Charges	33	10,495,871	7,604,350
Bulk Purchases	34	50,581,992	40,643,872
Contracted services		8,472,288	10,128,054
Other Operating Grant Expenditure	24	27,927,076	24,612,902
General Expenses	35	49,424,855	57,649,739
Loss on Disposal of PPE		734,365	-
<b>Total Expenditure</b>		<b>303,706,558</b>	<b>271,432,166</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>24,675,562</b>	<b>21,768,375</b>



BITOU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R	R
<b>Balance at 1 JULY 2009</b>	1,041,622	1,046,719	163,796,498	165,884,839
Correction of error - See Note 36.09	-	-	220,485,991	220,485,991
<b>Restated Balance at 1 JULY 2009</b>	<b>1,041,622</b>	<b>1,046,719</b>	<b>384,282,489</b>	<b>386,370,830</b>
Net Surplus for the year	-	-	21,768,375	21,768,375
Transfer to CRR	-	27,500,000	(27,500,000)	-
Property, Plant and Equipment purchased	-	(27,486,501)	27,486,501	-
<b>Balance at 30 JUNE 2010</b>	<b>1,041,622</b>	<b>1,060,218</b>	<b>406,037,365</b>	<b>408,139,205</b>
Net Surplus for the year	-	-	24,675,562	24,675,562
Property, Plant and Equipment purchased	-	(21,294,022)	21,294,022	-
Transfer to CRR	-	20,533,805	(20,533,805)	-
<b>Balance at 30 JUNE 2011</b>	<b>1,041,622</b>	<b>300,001</b>	<b>431,473,143</b>	<b>432,814,767</b>



**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Ratepayers and other		223,855,880	181,006,098
Government - operating		46,391,679	62,328,614
Government - capital		61,215,142	24,910,101
Interest		1,183,619	3,916,796
<b>Payments</b>			
Suppliers and employees		(233,285,384)	(220,796,967)
Finance charges		(10,495,871)	(7,604,350)
<b>Cash from Operating Activities</b>	<b>37</b>	<b>88,865,066</b>	<b>43,760,293</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(102,749,556)	(103,851,964)
Proceeds on Disposal of Fixed Assets		2,814,639	320,534
Purchase of Intangible Assets		(1,471,883)	(4,755,706)
Decrease in Non-current receivables		87,720	269,498
(Increase) in Non-current Investments		(302,476)	(303,305)
<b>Net Cash from Investing Activities</b>		<b>(101,621,557)</b>	<b>(108,320,943)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		19,084,299	27,193,340
Loans repaid		(6,582,075)	(4,157,491)
Increase in Consumer Deposits		333,811	295,579
<b>Net Cash from Financing Activities</b>		<b>12,836,034</b>	<b>23,331,428</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>79,543</b>	<b>(41,229,222)</b>
Cash and Cash Equivalents at the beginning of the year		16,604,070	57,833,292
Cash and Cash Equivalents at the end of the year	<b>38</b>	16,683,613	16,604,070
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>79,543</b>	<b>(41,229,222)</b>





## ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE FINANCIAL STATEMENTS

### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosures
<b>IFRS 3 (AC 141)</b>	Insurance Contracts
<b>IFRS 6 (AC 143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IFRS 7 (AC 144)</b>	Financial Instruments: Disclosures
<b>IAS 12 (AC 102)</b>	Income Taxes
<b>SIC -21 (AC 421)</b>	Income Taxes – Recovery of Revalued Non- Depreciable Assets
<b>SIC -25 (AC 425)</b>	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
<b>SIC -29 (AC 429)</b>	Service Concession Arrangements – Disclosures
<b>IFRIC 2 (AC 435)</b>	Members' Shares in Co – Operative Entities and Similar Instruments
<b>IFRIC 4 (AC 437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC 442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC 445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC 446)</b>	Customer loyalty Programmes
<b>IFRIC 14 (AC 447) IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC 448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC 449)</b>	Hedges in a Net Investment in a Foreign Operation

AUDITOR  
2012-03-06  
AB



The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

AUDITOR-GENERAL

2012 02 06

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

#### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

#### **1.3. GOING CONCERN ASSUMPTION**

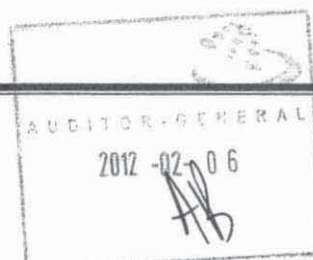
These annual financial statements are prepared on the basis that the municipality will remain a going concern.

#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.



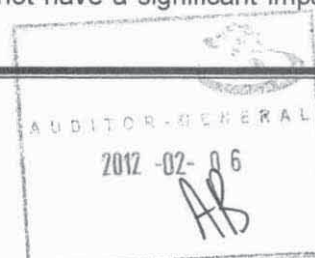


**1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised)</b>	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 7 (Revised)</b>	<b>Investments in Associate</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 8 (Revised)</b>	<b>Interest in Joint Ventures</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 18</b>	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 24</b>	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>1 April 2012</b>
<b>GRAP 25</b>	<b>Employee Benefits</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 103</b>	<b>Heritage Assets</b> No adjustments necessary as the Municipality has no significant heritage assets.	<b>1 April 2012</b>
<b>GRAP 104</b>	<b>Financial Instruments</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 106</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 107</b>	<b>Mergers</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.



**1.6. FOREIGN CURRENCY TRANSACTIONS**

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

**1.7. RESERVES**

**1.7.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

**1.7.2 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**1.8. LEASES**

**1.8.1 Municipality as Lessee**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease



finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

The initial direct cost incurred by the municipality in negotiating an operating lease is being expensed.

### **1.8.2 Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

## **1.9. CONDITIONAL GRANTS**

### **1.9.1 UNSPENT CONDITIONAL GRANTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.  
Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### **1.9.2 UNPAID CONDITIONAL GRANTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.



The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

#### **1.10. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### **1.11. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

**1.12. EMPLOYEE BENEFITS**

**(a) Pension obligations**

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

**(b) Post Retirement Medical obligations**

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.



Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) *Accrued Leave Pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(e) *Staff Bonuses***

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonuses accrued at year end for each employee.

**(f) *Performance bonuses***

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**(g) *Pension and retirement fund obligations***

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

## **1.13. PROPERTY, PLANT AND EQUIPMENT**

### **1.13.1 *Initial Recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost

also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment.

#### **1.13.2 Subsequent Measurement – Cost Model**

Property, plant and equipment is stated at cost, less accumulated depreciation, less **any accumulated** impairment in value. Land is not depreciated as it is deemed to have an indefinite useful life.

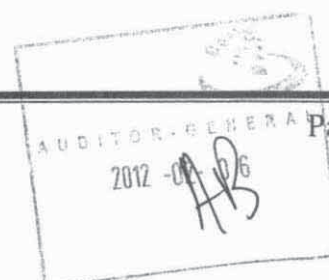
Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.13.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

##### **Infrastructure Assets**

*Electricity*





Class	Asset Type	Expected Useful Life
High Voltage	HV Overhead Line	50
High Voltage	HV Substation_Battery	10
High Voltage	HV Substation_Electrical Plant	50
High Voltage	HV Substation_Yard Stone	15
High Voltage	HV Underground Cable	50
Medium Voltage	Ground Mounted Transformer	50
Medium Voltage	Mini Sub-Station	50
Medium Voltage	MV Overhead Line	50
Medium Voltage	MV Substation_Battery	10
Medium Voltage	MV Substation_MV Switchgear	50
Medium Voltage	MV Underground Cable	50
Medium Voltage	Pole Mounted Transformer	50
Medium Voltage	Ring Main Unit	50
Low Voltage	LV Conductor Network	50
Low Voltage	Streetlight	50
Low Voltage	LV Consumer Connection	50

*Water*

Class	Asset Type	Expected Useful Life
Borehole	Civil Structure	50
Borehole	Electrical Plant	15
Borehole	Telemetry	30
Borehole	Mechanical Plant	15
Dam	Civil Structure	100
Spring Protection	Civil Structure	50
Bulk Water Channel	Concrete	50
Bulk Water Pipeline	AC	60
Bulk Water Pipeline	FC	60
Bulk Water Pipeline	GRP	100
Bulk Water Pipeline	HDPE	100
Bulk Water Pipeline	PVC	60
Bulk Water Pipeline	Steel	100
Bulk Water Pipeline	uPVC	100
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Reservoir	Civil Structure	50
Reservoir	Electrical Plant	15
Reservoir	Telemetry	30
Reticulation Pipeline	AC	60
Reticulation Pipeline	CI	100
Reticulation Pipeline	Clay	60
Reticulation Pipeline	FC	60



Class	Asset Type	Expected Useful Life
Reticulation Pipeline	HDPE	100
Reticulation Pipeline	PVC	60
Reticulation Pipeline	Steel	100
Reticulation Pipeline	uPVC	100
Water Treatment Works	Civil Structure	50
Water Treatment Works	Mechanical Plant	15
Water Treatment Works	Electrical Plant	15
Water Treatment Works	Telemetry	30

*Sanitation*

Class	Asset Type	Expected Useful Life
Bulk Sewer Pipeline	AC	60
Bulk Sewer Pipeline	CI	100
Bulk Sewer Pipeline	Concrete	60
Bulk Sewer Pipeline	GRP	60
Bulk Sewer Pipeline	HDPE	60
Bulk Sewer Pipeline	PF	60
Bulk Sewer Pipeline	PVC	60
Bulk Sewer Pipeline	SG	60
Bulk Sewer Pipeline	uPVC	60
Bulk Sewer Pipeline	Weholite	60
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Sewage Treatment Works	Civil Structure	50
Sewage Treatment Works	Mechanical Plant	15
Sewage Treatment Works	Electrical Plant	15
Sewage Treatment Works	Telemetry	30
Sewer Reticulation Pipeline	AC	60
Sewer Reticulation Pipeline	CI	100
Sewer Reticulation Pipeline	Concrete	60
Sewer Reticulation Pipeline	GRP	60
Sewer Reticulation Pipeline	HDPE	60
Sewer Reticulation Pipeline	PF	60
Sewer Reticulation Pipeline	PVC	60
Sewer Reticulation Pipeline	SG	60
Sewer Reticulation Pipeline	Steel	60
Sewer Reticulation Pipeline	uPVC	60
Sewer Reticulation Pipeline	Vitreous Clay	60
Sewer Reticulation Pipeline	Weholite	60

*Road Transport*

Class	Asset Type	Expected Useful Life
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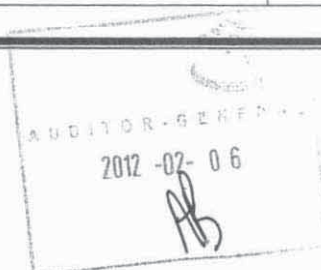
Overhead Gantry	Overhead Gantry	100
Parking Area	Surfacing Asphalt	50
Road Asphalt	UA Surfacing	15
Road Asphalt	UA Base	30
Road Asphalt	UA Structure	100
Road Asphalt	UB Surfacing	15
Road Asphalt	UB Base	30
Road Asphalt	UB Structure	100
Road Asphalt	UC Surfacing	20
Road Asphalt	UC Base	40
Road Asphalt	UC Structure	100
Road Asphalt	UD Surfacing	25
Road Asphalt	UD Base	50
Road Asphalt	UD Structure	100
Road Unpaved	Surface	7
Road Unpaved	Structure	25
Signalized Intersection	Signalized Intersection	15
Guardrail	Guardrail	15
Bridge	Bridge	100
Retaining Wall	Retaining Wall	100
Taxi Rank	Commuter Shelter	15
Taxi Rank	Surfacing Asphalt	15
Footpath	Footpath	30

*Stormwater*

Class	Asset Type	Expected Useful Life
Attenuation Pond	Attenuation Pond	25
Covered Channel	Lined Channel	50
Culvert	Major Culvert	50
Culvert	Minor Culvert	20
Erosion Protection	Erosion Protection	20
Open Channel	Lined Channel	50
Open Channel	Unlined Channel	10
Reticulation Pipeline	Concrete	50

*Solid Waste Asset*

Class	Asset Type	Expected Useful Life
Containers	Containers	20
Landfill	Leachate System	50
Landfill	Weighbridge	50
Landfill	Earth Embankment	25
Landfill	Pump Station Electrical Plant	15
Landfill	Pump Station Civil Structure	50
Landfill	Leachate System	50





<b>Class</b>	<b>Asset Type</b>	<b>Expected Useful Life</b>
Landfill	Pump Station Telemetry	30
Landfill	Pump Station Mechanical Plant	15
Transfer Stations	Building	30
Transfer Stations	Civil Structure	8
Transfer Stations	Mechanical Plant	15

***Other Assets***

<b>Class</b>	<b>Expected Useful life (EUL)</b>
Buildings	30
Specialist vehicles	10-20
Other vehicles	3-6
Office equipment	5-10
Furniture and fittings	5-10
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	5-15
Other plant and Equipment	2-5
	0
Quarries	25
Emergency equipment	5-15
Computer equipment	5

***Community Assets***

<b>Class</b>	<b>Expected Useful life (EUL)</b>
Buildings	30
Recreational Facilities	15-20
Security	3-5
Halls	30
Libraries	30
Parks and gardens	15-20
Other assets	10-30

***Finance lease assets***

<b>Class</b>	<b>Expected Useful life (EUL)</b>
Office equipment	3-5
Other assets	5-6

***1.13.4 De-recognition***

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant

and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.13.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

### **1.14. INTANGIBLE ASSETS**

#### **1.14.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.14.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.14.3 Amortisation and Impairment**





Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

**Intangible Assets**

Class	Expected Useful Life
Computer Software	5

**1.14.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.14.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

**1.15. INVESTMENT PROPERTY****1.15.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

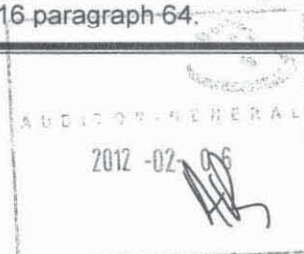
At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

**1.15.2 Subsequent Measurement – Cost Model**

Investment property is measured using the cost model. Under the cost model, investment property is carried at its cost less accumulated depreciation, less any accumulated impairment in value at the reporting date as per GRAP 16 paragraph 64.





Class	Expected Useful life (EUL)
Buildings	30

### 1.15.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.157.4 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

## 1.16. NON-CURRENT ASSETS HELD FOR SALE

### 1.16.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.16.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## 1.17. IMPAIRMENT OF ASSETS

### 1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.



An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.17.2 Non-cash-generating assets**

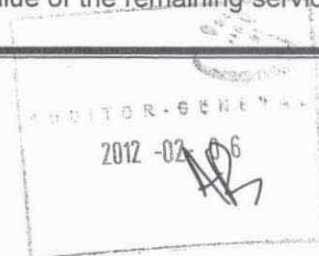
Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential





of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.18. INVENTORIES**

### **1.18.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### **1.18.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any



reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **1.19. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

### **1.19.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.19.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### **1.19.2.2 Receivables and Investments**

Receivables are classified as Financial Instruments at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.19.2.3**      *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.19.2.4**      *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.19.3 De-recognition of Financial Instruments**

**1.19.3.1**      *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.19.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.19.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.20. REVENUE**

#### **1.20.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.



Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.20.2 Revenue from Exchange Transactions**

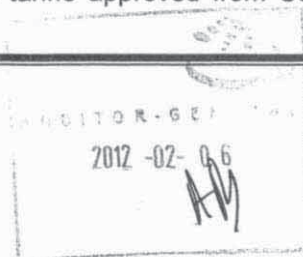
Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year end for unused units. The process followed to determine the unused units are discussed under significant accounting judgements and estimates in section 1.27.

Service charges relating to refuse removal are recognised on an annual basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied annually or monthly by choice of the user.





Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

#### **1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### **1.21. OTHER INCOME – RECOVERY OF UNAUTHORISED, FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **1.22. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;

- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **1.23. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.24. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.25. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.26. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is



not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

## **1.27. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

## **1.28 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

### ***Pension and other post-employment benefits***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### ***Impairment of Receivables***

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

### ***Property, plant and equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



***Intangible assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provision for landfill sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by an qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

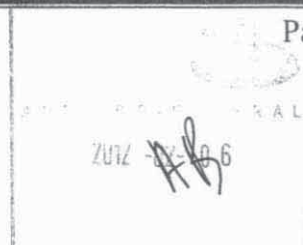
***Provision for clearing of alien vegetation***

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared.

***Provision for Task Implementation Backpay***

The provision at year end of represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 November 2009. The calculation was based on the difference between the current remuneration package compared to the remuneration package as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

***Provision for Performance bonuses***





The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are however subject to an evaluation by council.

***Provision for Staff leave***

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

***Componentisation of infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.28. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

**1.29. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.30. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 2 NET ASSET RESERVES

## RESERVES

Capital Replacement Reserve  
Housing Development fund

## Total Net Asset Reserve and Liabilities

2011 R	2010 R
1,341,623	2,101,840
300,001	1,060,218
1,041,622	1,041,622
<b>1,341,623</b>	<b>2,101,840</b>

## 3 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost  
Hire Purchase  
Capitalised Lease Liability - At amortised cost

**Less:** Current Portion transferred to Current Liabilities

Annuity Loans - At amortised cost  
Hire Purchase  
Capitalised Lease Liability - At amortised cost

## Total Long-term Liabilities - At amortised cost using the effective interest rate method

100,578,688.69	89,385,090.46
-	91,418
1,932,207	532,164
<b>102,510,896</b>	<b>90,008,672</b>
<b>7,851,290</b>	<b>4,636,526</b>
6,722,942	4,316,034
-	91,417
1,128,347	229,075
<b>94,659,606</b>	<b>85,372,146</b>

## Development Bank Loans

Various structured loans have been taken up with DBSA, with an original value totalling R79.5m. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal installments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9% to 12%

## First National Bank

A new loan amounting to R3,400,000 has been taken up from First National Bank in the previous financial year. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a five year period with maturity date of 30/06/2015. Interest rates applicable to this loans amounts to 10.56%

## Standard Bank

A new loan amounting to R 16,580,000 has been taken up from Standard bank in the current financial year. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a 10 year period with maturity date of 30/06/2021. Interest rates applicable to this loans amounts to 11.26%.

Fixed Deposits of R3 971 733 (2010: R3 669 256) have been ring-fenced for the purposes of repaying Long-term Liabilities as set out in Notes 16

The fair value of Long-Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year  
Payable within two to five years  
Payable after five years

**Less:** Future finance obligations

## Present value of lease obligations

Minimum  
lease payments

17,011,908	14,338,731
64,155,379	55,404,439
103,727,597	102,237,630
184,894,885	171,980,800
(84,316,196)	(82,595,710)
<b>100,578,689</b>	<b>89,385,090</b>

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year  
Payable within two to five years  
Payable after five years

**Less:** Future finance obligations

## Present value of lease obligations

Minimum  
lease payments

1,273,397	280,905
837,833	337,858
-	-
2,111,231	618,763
(179,024)	(86,599)
<b>1,932,207</b>	<b>532,164</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The obligations under hire purchase agreements are scheduled below:

Amounts payable under hire purchase agreements:

Payable within one year  
Payable within two to five years  
Payable after five years

**Less:** Future finance obligations

**Present value of hire purchase obligations**

2011 R	2010 R
	Minimum
	hire purchase payments

-	95,986
-	-
-	-
-	95,986
-	(4,569)
-	<b>91,417</b>

Leases are secured by property, plant and equipment - Note 12

The municipality has entered into a lease agreement with Rentworks Africa Pty (LTD) whereby it leases Telecommunication and Smart routers from them. The rental period is between 30 and 33 months, starting 1 July 2010. Rental instalments is payable quarterly, amounting to R 271,603.68, excluding VAT per quarter. No escalation is applicable.

4

#### NON CURRENT EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

**Total Non-current Employee Benefit Liabilities**

37,524,321	27,902,965
3,143,301	2,376,829
<b>40,667,623</b>	<b>30,279,794</b>

##### Post Retirement Benefits

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial gain/loss

Balance previously reported

Correction of actuarial gain/loss due to recalculation of benefits

28,482,013	25,843,315
4,828,423	4,165,277
(579,048)	(733,656)
5,542,118	(792,923)
-	(3,826,468)
-	3,033,545

**Total post retirement benefits 30 June**

**Less:** Transfer of Current Portion - Note 7

**Balance 30 June**

<b>38,273,505</b>	<b>28,482,013</b>
(749,184)	(579,048)
<b>37,524,321</b>	<b>27,902,965</b>

##### Long Service Awards

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial gain

**Total long service 30 June**

**Less:** Transfer of Current Portion - Note 7

**Balance 30 June**

2,570,523	2,432,297
572,215	529,263
(193,694)	(219,317)
425,604	(171,720)
<b>3,374,648</b>	<b>2,570,523</b>
(231,347)	(193,694)
<b>3,143,301</b>	<b>2,376,829</b>

#### TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial gain

**Total employee benefits 30 June**

**Less:** Transfer of Current Portion - Note 7

**Balance 30 June**

31,052,536	28,275,612
5,400,638	4,694,540
(772,742)	(952,973)
5,967,722	(964,643)
<b>41,648,154</b>	<b>31,052,536</b>
(980,531)	(772,742)
<b>40,667,623</b>	<b>30,279,794</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 4 EMPLOYEE BENEFITS (CONTINUED)

## 4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2011 R	2010 R
In-service (employee) members	376	373
Continuation members (e.g. Retirees, widows, orphans)	30	26
<b>Total Members</b>	<b>406</b>	<b>399</b>

The liability in respect of past service has been estimated to be as follows:

	2011 R	2010 R
In-service members	28,578,326	21,234,895
Continuation members	9,695,176	7,247,119
<b>Total Liability</b>	<b>38,273,502</b>	<b>28,482,014</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R
<b>Total Liability</b>	<b>25,843,316</b>	<b>23,244,965</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Hosmed  
Samwumed; and  
Keyhealth.

The Current-service Cost for the ensuing year is estimated to be R 2,231,944 whereas the Interest Cost for the next year is estimated to be R 2,596,474

Key actuarial assumptions used:

## i) Rate of interest

	2011 %	2010 %
Discount rate	8.79%	9.21%
Health Care Cost Inflation Rate	7.36%	7.26%
Net Effective Discount Rate	1.34%	1.81%

## ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

## iii) Normal retirement age

It has been assumed that in-service members will retire at age 63 (male) and 58 (female), which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

	2011 R	2010 R
Present value of fund obligations	38,273,502	28,482,014
<b>Net liability</b>	<b>38,273,502</b>	<b>28,482,014</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

## Reconciliation of present value of fund obligation:

	2011 R	2010 R
Present value of fund obligation at the beginning of the year	28,482,014	25,843,316
Total expenses	4,249,370	3,431,621
Current service cost	2,231,944	1,869,321
Interest Cost	2,596,474	2,295,956
Benefits Paid	(579,048)	(733,656)
Actuarial gain	5,542,118	(792,923)
<b>Balance 30 June</b>	<b>38,273,502</b>	<b>28,482,014</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4

## EMPLOYEE BENEFITS (CONTINUED)

## Sensitivity Analysis on changes to the Unfunded Accrued Liability

The effect of movements in the assumptions are as follows:

Assumption 2011	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		2,231,900	2,596,500	4,828,400	
Health care inflation	+ 1%	2,777,900	3,115,300	5,893,200	22%
Health care inflation	- 1%	1,812,300	2,186,500	3,998,800	-17%
Post-retirement mortality	- 1 yr	2,295,800	2,679,400	4,975,200	3%
Average retirement age	- 1 yr	2,446,600	2,760,000	5,206,600	8%
Withdrawal Rate	-50%	2,611,700	2,819,200	5,430,900	12%

Assumption 2010	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		1,869,300	2,296,000	4,165,300	
Health care inflation	+ 1%	2,338,500	2,744,700	5,083,200	22%
Health care inflation	- 1%	1,511,400	1,942,400	3,453,800	-17%
Post-retirement mortality	- 1 yr	1,927,000	2,376,500	4,303,500	3%
Average retirement age	- 1 yr	1,893,000	2,417,400	4,310,400	3%
Withdrawal Rate	-50%	2,208,000	2,486,100	4,694,100	13%

RETIREMENT FUNDS

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

Contributions paid recognised in the Statement of Financial Performance

2011 R	2010 R
38,273,502	28,482,014

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

## 4.2 Long Service Bonuses

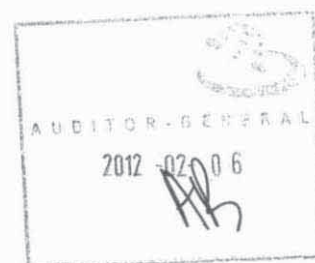
The Long Service Bonus plans are defined benefit plans. As at year end, 387 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 375 164 whereas the interest cost for the next year is estimated to be R 254 775

Key actuarial assumptions used:

## i) Rate of Interest

	2011 %	2010 %
Discount rate	7.81%	9.10%
General Salary Inflation (long-term)	6.27%	6.42%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.45%	2.52%



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4

## EMPLOYEE BENEFITS (CONTINUED)

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

Net liability

2011 R	2010 R
3,374,648	2,570,523
<b>3,374,648</b>	<b>2,570,523</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total liability

2009	2008
2,432,297	3,012,888

## Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

Total expenses

Current service cost

Interest Cost

Benefits Paid

Actuarial gain

Balance 30 June

2011 R	2010 R
2,570,523	2,432,297
378,521	309,946
346,890	315,811
225,325	213,452
(193,694)	(219,317)
425,604	(171,720)
<b>3,374,648</b>	<b>2,570,523</b>

## Sensitivity Analysis on changes to the Unfunded Accrued Liability

The effect of movements in the assumptions are as follows:

Assumption 2011	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		346,890	225,325	572,215	
General salary inflation	+ 1%	368,688	241,603	610,291	7%
General salary inflation	- 1%	327,725	210,669	538,394	-6%
Average retirement age	- 2 yrs	320,476	186,083	506,559	-11%
Average retirement age	+ 2 yrs	365,755	246,066	611,821	7%
Withdrawal rates	-50%	436,035	269,357	705,392	23%

Assumption 2010	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		315,811	213,452	529,263	
General salary inflation	+ 1%	338,332	229,751	568,083	7%
General salary inflation	- 1%	296,055	198,825	494,880	-6%
Average retirement age	- 2 yrs	292,541	181,977	474,518	-10%
Average retirement age	+ 2 yrs	350,309	239,929	590,238	12%
Withdrawal rates	-50%	392,490	249,970	642,460	21%

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## NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Provision for Clearing of Alien Vegetation

Total Non-current provisions

2011 R	2010 R
6,274,010	5,929,120
560,745	329,447
<b>6,834,755</b>	<b>6,258,568</b>

Landfill Sites

Balance 1 July

Balance previously reported

Correction of cost previously recognised and adjustment to interest recognised - prior 2009

Interest accrual

Balance previously reported

Correction of interest previously reported - 2010

Expenditure for the year

Balance 30 June

5,929,120	5,390,110
-	7,115,702
-	(1,725,592)
355,133	539,011
-	711,570
-	(172,559)
(10,243)	-
<b>6,274,010</b>	<b>5,929,120</b>

Clearing of Alien Vegetation

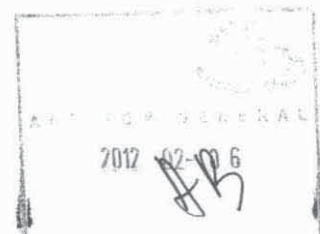
Balance 1 July

Contribution for the year

Expenditure for the year

Balance 30 June

329,447	296,503
619,058	337,293
(387,760)	(304,349)
<b>560,745</b>	<b>329,447</b>





BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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CONSUMER DEPOSITS

Water & Electricity

Total Consumer Deposits

Guarantees held in lieu of Electricity and Water Deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

2011  
R

2010  
R

4,281,691

3,947,880

4,281,691

3,947,880

205,125

205,125

7

CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4

Current Portion of Long-Service Provisions - Note 4

Performance Bonuses

Staff Bonuses

Provision for TASK

Provision for Shortfall in Annual Earning of Cape Joint Pension Fund

Staff Leave

Total Current Employee Benefits

749,184

579,048

231,347

193,694

1,612,905

1,329,431

1,956,777

1,771,910

1,683,603

938,805

1,602,977

1,322,230

6,680,017

5,299,775

14,516,810

11,434,893

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance at beginning of year

Contribution to current portion

Expenditure incurred

Balance at end of year

1,329,431

1,309,684

1,655,545

1,036,878

(1,372,072)

(1,017,131)

1,612,905

1,329,431

Performance bonuses are being paid to Municipal Manager, Directors and Employees on Fixed Term Contracts after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Bonuses

Balance at beginning of year

Contribution to current portion

Expenditure incurred

Balance at end of year

1,771,910

1,501,289

3,454,685

2,924,507

(3,269,818)

(2,653,887)

1,956,777

1,771,910

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Provision for TASK

Balance 1 July

Contribution for the year

Balance 30 June

938,805

-

744,798

938,805

1,683,603

938,805

Provision for Shortfall in Annual Earning of Cape Joint Pension Fund

Balance 1 July

Contribution for the year

Balance previously reported

Correction of Capital portion 2009

Balance 30 June

1,322,230

-

280,747

1,322,230

-

1,410,166

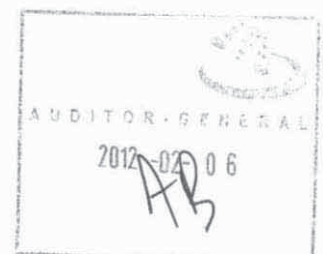
-

(87,936)

1,602,977

1,322,230

The municipality received notice from the Cape Joint Pension Fund regarding a shortfall in the annual earnings of the fund. The actual investment return that was reported amounted to -0.94%. The provision amounts to the amount that the Fund requested the municipality to pay. Interest on the outstanding portion was added since February 2010.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**Staff Leave**

Balance at beginning of year  
Contribution for the year  
Expenditure incurred  
Balance at end of year

2011 R	2010 R
5,299,775	3,481,523
1,954,924	2,083,514
(574,682)	(265,263)
<b>6,680,017</b>	<b>5,299,775</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**8 PAYABLES FROM EXCHANGE TRANSACTIONS**

Payables from exchange transactions  
Pre-paid electricity  
Other Creditors  
Payments received in advance  
Retentions  
Deposit Minnaar Land  
Balance Previously reported  
Retention fees previously not recognised - Note 36.01

44,302,390	26,869,986
63,725	63,824
1,297,715	2,620,550
4,878,552	6,256,596
322,052	2,003,588
5,019,402	-
-	411,774
-	1,591,814
<b>55,883,836</b>	<b>37,814,544</b>

**Total Payables from exchange transactions**

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS****Unspent Grants****National Government Grants**

National Electrification Programme

Balance previously reported  
Correction of Unspent grant 2009/10 - Note 36.05

Recharge Groundwater / Boreholes MIG  
Neighbourhood Development Partnership Grant

**Provincial Government Grants**

Revitalise Urban Areas  
Socio Economic Upgrade  
Inc: LED MMC Kurland  
Traffic Disaster Fund  
Spatial Planning Grant  
Provincial Management Support Grant  
Provincial Housing Grant

<b>33,980,814</b>	<b>22,011,999</b>
<b>7,774,446</b>	<b>14,062,477</b>
242,550	1,436,516
-	1,959,533
-	(523,017)
-	9,094,153
7,531,897	3,531,808
<b>26,206,368</b>	<b>7,949,523</b>
50,000	50,000
50,000	50,000
16,818	16,818
782	782
84,200	84,200
164,205	324,600
25,840,364	7,423,123
-	-
<b>33,980,814</b>	<b>22,011,999</b>

**Less: Unpaid Grants****Total Conditional Grants and Receipts**

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.





# BITOU MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
<b>10</b>	<b>UNSPENT PUBLIC CONTRIBUTIONS</b>		
	Social Responsibility	136,294	-
	LED Strategy (IDC)	400,000	-
	Upgrade Kwano Sportfield	1,000,000	-
	Alien Vegetation (Std Bank)	1,446,335	-
	<b>Total Unspent Public Contributions</b>	<b>2,982,630</b>	<b>-</b>

Unspent public contributions relates to contributions received from developers, The National Lottery fund, Standard Bank

<b>11</b>	<b>TAXES</b>		
	VAT Receivable	10,438,207	13,118,995
	Balance Previously reported	-	16,217,722
	Correction of Error - Note 36.07	-	(3,098,727)
		<b>10,438,207</b>	<b>13,118,995</b>

VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12

PROPERTY, PLANT AND EQUIPMENT

See attached sheet







## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12

## PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## Assets pledged as security:

The following assets have been pledged as security for a finance lease liability as disclosed in Note 3

Telecommunications  
Smart Routers

2011  
R2010  
R

709,575

919,543

**1,629,118**

-

-

-

## Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Other

176,992

**176,992**

-

-

## Effect of changes in accounting estimates

## Change in estimates in terms of GRAP 3

The useful life of the landfill site rehabilitation was adjusted for a further period until closure by October 2011. In addition the interest rate of rehabilitation costs was also adjusted from 10% to 6%. The effect of the adjustments is as follows:

## Decrease in cost due to adjustments

**(10,243)**

Depreciation after adjustments

154,246

Depreciation before adjustments

215,904

## Decrease in depreciation

**(61,659)**

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## INVESTMENT PROPERTY

## Net Carrying amount at 1 July

2011  
R2010  
R**97,590,491****97,758,597**

## Cost

98,787,966

98,787,966

Balance previously reported

-

2,154,980

First time recognition of Investment Property - Refer to note 36.02

-

96,649,986

Reversal of Properties previously transferred but still reflecting on FAR - Note 36.02

-

(17,000)

## Accumulated Depreciation

(1,197,476)

(1,029,369)

Balance previously reported

-

(954,984)

Depreciation on first time recognised investment property prior 2009 - Note 36.02

-

(74,385)

## Depreciation for the year

(168,107)

(168,107)

Balance previously reported

-

(38,199)

Depreciation on first time recognised investment property - Note 36.02

-

(129,907)

## Net Carrying amount at 30 June

**97,422,384****97,590,491**

## Cost

98,787,966

98,787,966

## Accumulated Depreciation

(1,365,582)

(1,197,476)

Investment properties was carried at provisional amounts as the measurement exemptions was taken according to Directive 4, issued by the Accounting Standards Board. Since the previous reporting, the municipality recognised all investment property in terms of GRAP 16.





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## INTANGIBLE ASSETS

## Computer Software

## Net Carrying amount at 1 July

## Cost

Balance previously reported- Completed Assets  
 Balance previously reported- WIP included in opening balance  
 Laptops incorrectly classified as Intangible Assets - Note 12  
 Intangible Assets previously incorrectly classified - Note 36.11  
 WIP capitalised, transferred to Acquisitions

## Accumulated Amortisation

Balance previously reported  
 Amortisation on Laptops incorrectly classified as Intangible Assets prior 2009 - Note 12  
 Amortisation on items incorrectly classified as Intangible Assets prior 2009 - Note 36.11  
 Amortisation due to review of useful life - Note 36.11

## Acquisitions

Acquisitions- WIP capitalised, previously included in opening balance- prior 2009  
 Acquisitions- current year

## Work in Progress

Balance previously reported  
 CIPAL Training costs incorrectly classified as Intangible Assets - Note 36.11  
 Completed assets previously reported as Work in Progress

## Amortisation

Balance previously reported  
 Amortisation movement on Laptops incorrectly classified as Intangible Assets - Note 12  
 Amortisation movement due to review of useful life - Note 36.11  
 Amortisation movement on items incorrectly classified as Intangible Assets - Note 36.11

## Net Carrying amount at 30 June

## Cost

## Accumulated Amortisation

## GRAP 102 - Intangible Assets

Intangible assets was carried at provisional amounts as the measurement exemptions was taken according to Directive 4, issued by the Accounting Standards Board. Since the previous reporting date, the municipality recognised all intangible assets in terms of GRAP 102

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## NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale at beginning of year - at book value  
 Additions for the year

Non-current assets held for sale at end of year - at book value

16

## NON-CURRENT INVESTMENTS

## Financial Instruments

## Fixed Deposits

## Total Non-Current Investments

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at an average rate of 8,24 % per annum.

Fixed Deposits of R3,971,733 (2010: R3 669 256) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 3.

2011  
R2010  
R

	8,378,707	3,656,696
Cost	8,466,371	3,176,357
Balance previously reported- Completed Assets	-	851,404
Balance previously reported- WIP included in opening balance	-	3,508,172
Laptops incorrectly classified as Intangible Assets - Note 12	-	(31,283)
Intangible Assets previously incorrectly classified - Note 36.11	-	(617,627)
WIP capitalised, transferred to Acquisitions	-	(534,308)
Accumulated Amortisation	(87,664)	(53,969)
Balance previously reported	-	(711,283)
Amortisation on Laptops incorrectly classified as Intangible Assets prior 2009 - Note 12	-	21,898
Amortisation on items incorrectly classified as Intangible Assets prior 2009 - Note 36.11	-	602,978
Amortisation due to review of useful life - Note 36.11	-	32,438
Acquisitions	26,187	5,290,014
Acquisitions- WIP capitalised, previously included in opening balance- prior 2009	-	534,308
Acquisitions- current year	26,187	4,755,706
Work in Progress	1,445,717	-
Balance previously reported	-	5,543,133
CIPAL Training costs incorrectly classified as Intangible Assets - Note 36.11	-	(787,427)
Completed assets previously reported as Work in Progress	-	(4,755,706)
Amortisation	(563,150)	(33,695)
Balance previously reported	-	(46,492)
Amortisation movement on Laptops incorrectly classified as Intangible Assets - Note 12	-	6,257
Amortisation movement due to review of useful life - Note 36.11	-	(8,109)
Amortisation movement on items incorrectly classified as Intangible Assets - Note 36.11	-	14,650
Net Carrying amount at 30 June	9,287,460	8,378,707
Cost	9,938,275	8,466,371
Accumulated Amortisation	(650,815)	(87,664)



BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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LONG-TERM RECEIVABLES

Car loans

Balance previously reported

Correction of car loans opening balance - Note 36.06

Housing selling scheme loans

**Less:** Current portion transferred to current receivables

Car loans

Housing selling scheme loans

**Total Long Term Receivables**

2011  
R

2010  
R

-	4,090
-	6,095
-	(2,005)
366,101	449,731
<b>366,101</b>	<b>453,821</b>
75,307	80,651
-	6,095
75,307	74,556
<b>290,794</b>	<b>373,170</b>

HOUSING LOANS TO STAFF

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

CAR LOANS

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a motor vehicle. The vehicle must be made available daily by the staff member for his use in the carrying out of his official duties. The repayment period of these loans and the applicable interest rate is a maximum of six years and eight percent per annum, respectively.

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INVENTORY

Consumable stores - at cost

Water - at provisional amounts

Balance previously reported

First time recognition of water inventory - Note 36.08

**Total Inventory at lower of cost or net realisable value**

2,068,055  
111,991

2,689,777  
103,121

-	-
-	103,121
<b>2,180,046</b>	<b>2,792,898</b>

Inventory amounting to the value of R 3,111,813.80 (2010: R 4,601,201) has been recognised as an expense during the period under review. The amount of write-down of inventories recognised as an expense is R 56,117.36 (2010: R 286,232).

The municipality did not measure the water inventory in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period, the municipality recognised water inventory.

Raw water (kl)

2,006,043  
134,613

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RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2011

Service Receivables

Electricity

Water

Sewerage

Sundries

Refuse Removal

Housing Rentals

**Total**

Gross  
Balances

Provision for  
Impairment

Nett Balances

46,280,938  
26,044,901  
20,236,037

10,329,217  
10,942,692  
12,656,964  
4,794,474  
7,557,591

310,387  
173,308  
137,080

**46,591,325**  
**26,218,209**  
**20,373,116**

As at 30 June 2010

Service Receivables

Electricity - Restated

Water - Restated

Sewerage

Sundries

Refuse Removal

Housing Rentals

**Total**

36,574,254  
19,867,896  
16,706,358

8,097,081  
8,130,526  
9,697,310  
5,101,597.68  
5,547,739

1,416,490  
731,413  
685,077

**37,990,744**  
**20,599,309**  
**17,391,437**

Included in the outstanding balances are consumer debtors to the value of R 2,531,173.64, who have made arrangements to repay their outstanding debt over a re-negotiated period.





BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Ageing of Receivables from Exchange Transactions	2011 R	2010 R
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	6,857,079	5,425,155
31 - 60 Days	967,247	918,256
61 - 90 Days	461,315	348,856
+ 90 Days	2,043,577	1,404,815
<b>Total</b>	<b>10,329,217</b>	<b>8,097,081</b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	2,207,036	2,505,758
31 - 60 Days	644,674	626,549
61 - 90 Days	702,595	392,336
+ 90 Days	7,388,387	4,605,883
<b>Total</b>	<b>10,942,692</b>	<b>8,130,526</b>
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	1,030,496	792,658
31 - 60 Days	340,888	217,550
61 - 90 Days	285,193	186,404
+ 90 Days	5,901,014	4,351,128
<b>Total</b>	<b>7,557,591</b>	<b>5,547,739</b>
<b><u>(Sewerage): Ageing</u></b>		
Current (0 - 30 days)	1,931,400	1,619,850
31 - 60 Days	558,494	439,777
61 - 90 Days	502,252	380,879
+ 90 Days	9,664,818	7,256,804
<b>Total</b>	<b>12,656,964</b>	<b>9,697,310</b>
<b><u>(Housing): Ageing</u></b>		
Current (0 - 30 days)	84,404	358,211
31 - 60 Days	26,623	25,374
61 - 90 Days	26,447	25,123
+ 90 Days	172,913	1,007,782
<b>Total</b>	<b>310,387</b>	<b>1,416,490</b>
<b><u>(Sundry): Ageing</u></b>		
Current (0 - 30 days)	385,251	126,474
31 - 60 Days	30,010	82,299
61 - 90 Days	1,481,304	86,470
+ 90 Days	2,897,909	4,806,354
<b>Total</b>	<b>4,794,474</b>	<b>5,101,598</b>

20

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

<b><u>Service Receivables</u></b>		
Rates	14,260,123	12,746,613.59
Other Receivables	584,405	326,248
Insurance claims	341,430	326,248
Sundry debtors	242,975	-
<b>Total Service Receivables</b>	<b>14,844,528</b>	<b>13,072,862</b>
Less: Allowance for Doubtful Debts	4,775,365	3,633,410
<b>Net Service Receivables</b>	<b>10,069,163</b>	<b>9,439,452</b>

Ageing of Receivables from Non-Exchange Transactions

<b><u>(Rates): Ageing</u></b>		
Current (0 - 30 days)	4,146,335	5,060,958
31 - 60 Days	827,932	1,060,455
61 - 90 Days	660,474	502,943
+ 90 Days	8,625,381	6,122,258
<b>Total</b>	<b>14,260,123</b>	<b>12,746,614</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The ageing of amounts past due but not impaired is as follows:

## 2011

Neither past due nor impaired

Current ( 0-30 days)

Past due and not impaired

1 month past due

2+ months past due

**Total**

## 2010

Neither past due nor impaired

Current ( 0-30 days)

Past due and not impaired

1 month past due

2+ months past due

**Total**Trade and other receivables impaired

## 2011

**Total**

## 2010

**Total**

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.  
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

Balance at beginning of the year

Contributions to provision

Doubtful debts written off against provision

**Balance at end of year**

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

21

## OPERATING LEASE ARRANGEMENTS

21.1

## The Municipality as Lessee

**Balance on 1 July**

Operating Lease Liability previously not recognised up to 1 July 2009 - Note 36.03

**Restated Balance on 1 July**

Movement during the year

Balance previously reported

Operating Lease Liability movement previously not recognised - Note 36.03

**Balance on 30 June**

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Current ( 0-30 days)	-	15,560,341	15,560,341
1 month past due	2,518,932	827,932	3,346,865
2+ months past due	2,699,712	4,860,305	7,560,017
<b>Total</b>	<b>5,218,644</b>	<b>21,248,579</b>	<b>26,467,223</b>

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>Total</b>	<b>26,218,209</b>	<b>4,775,365</b>	<b>30,993,573</b>

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>Total</b>	<b>20,599,309</b>	<b>3,633,410</b>	<b>24,232,719</b>

	2011 R	2010 R
Balance at beginning of the year	24,232,719	23,902,921
Contributions to provision	12,124,452	7,570,413
Doubtful debts written off against provision	(5,363,598)	(7,240,615)
<b>Balance at end of year</b>	<b>30,993,573</b>	<b>24,232,719</b>

Balance on 1 July	565,623	579,178
Operating Lease Liability previously not recognised up to 1 July 2009 - Note 36.03	-	(55,017)
<b>Restated Balance on 1 July</b>	<b>565,623</b>	<b>524,161</b>
Movement during the year	(13,147)	41,462
Balance previously reported	-	64,332
Operating Lease Liability movement previously not recognised - Note 36.03	-	(22,870)
<b>Balance on 30 June</b>	<b>552,476</b>	<b>565,623</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

**Buildings, Vehicles and other equipment**

Up to 1 Year

2,509,176

2,003,040

1 to 5 Years

2,205,877

2,241,488

More than 5 Years

780,310

955,232

**Total Operating Lease Arrangements****5,495,362****5,199,760****21.2 The Municipality as Lessor****Balance on 1 July**

5,083

15,908

Operating lease asset previously not recognised 1 July 2009 - Note 36.04

-

(11,266)

Restated balance 1 July

5,083

4,643

Movement for the year ended 30 June 2011

(966)

440

Balance previously reported

-

(1,115)

Operating lease asset movement previously not recognised - Note 36.04

-

1,555

**Balance on 30 June****4,117****5,083**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year

18,262

22,152

1 to 5 Years

26,612

26,886

More than 5 Years

81

116

**Total Operating Lease Arrangements****44,955****49,154**

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

**22****CASH AND CASH EQUIVALENTS****Assets**

Bank balances and cash

6,481,294

11,484,922

Call Investment Deposits

10,191,098

5,108,728

Petty Cash Advances

11,220

10,420

**Total Cash and Cash Equivalents - Assets****16,683,613****16,604,070****Liabilities**

Bank overdraft facility of R 5,000,000 exists at Standard Bank.

Security amounting to R 200,000 are held at Absa Bank for E- Fuel.

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

**Current Accounts**

Current Account (FNB No.2 - 62023804413)

-

-

Current Account (TMT FNB 62060979964)

-

106,841

Current Account (Main :Standard bank 082599343)

4,912,590

17,465,800

Current Account (Direct Deposits Standard bank : 282032371)

1,211,342

929,054

Current Account (ACB Standard bank : 082608288)

42,047

430

Current Account (TMT Standard Bank 082592535)

370,199

453,867

**6,536,178****18,955,991****Current Account (FNB No.2 - 62023804413)**

Bank statement balance at beginning of year

-

399,343

Bank statement balance at end of year

-

-

**Current Account (TMT FNB 62060979964)**

Bank statement balance at beginning of year

106,841

437,286

Bank statement balance at end of year

-

106,841

**Current Account (Main :Standard bank 082599343)**

Bank statement balance at beginning of year

17,465,800

35,846,426

Bank statement balance at end of year

4,912,590

17,465,800



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>Current Account (Direct Deposits Standard bank : 282032371)</b>		
Bank statement balance at beginning of year	929,054	447,791
Bank statement balance at end of year	1,211,342	929,054
<b>Current Account (ACB Standard bank : 082608288)</b>		
Bank statement balance at beginning of year	430	30,340
Bank statement balance at end of year	42,047	430
<b>Current Account (TMT Standard Bank 082592535)</b>		
Bank statement balance at beginning of year	453,867	-
Bank statement balance at end of year	370,199	453,867
<b>Summary</b>		
Cash book balance at beginning of year	11,484,922	21,051,550
Cash book balance at end of year	6,481,294	11,484,922
Bank statement balance at beginning of year	18,955,991	37,161,186
Bank statement balance at end of year	6,536,177	18,955,991
<b>Call Investment Deposits</b>		
Call investment deposits consist out of the following accounts:		
ABSA BANK - Acc.no.20 4897 5233	36,243	34,066
ABSA BANK - Acc no: 20-5009-0176	20,689	19,446
NEDBANK- Acc no: 788-105-2406-000029	-	5,027,158
STD BANK - Acc no: 48-860-7000-013	5,886	28,057
STD BANK - Acc no: 488-860-7000-015	10,128,281	-
	<b>10,191,098</b>	<b>5,108,728</b>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9 % to 12,45 % per annum.

ABSA investment account number 2048975233 has been ceded as collateral for bond number 8043787245 to the amount of R 24 000.

ABSA investment account number 2050090176 has been ceded as collateral for bond number 8044250229 to the amount of R13 700.

Interest on overdrawn current accounts are charged at prime plus one per annum and earn interest at different rates per annum on favorable balances

Management of the municipality has determined that the carrying value of Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

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## PROPERTY RATES

Actual**Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

**Less: Rebates****Total Assessment Rates**

74,630,045	66,946,304
66,896,655	60,041,491
7,039,605	6,285,361
693,785	619,451
(10,263,215)	(9,376,997)
<b>64,366,830</b>	<b>57,569,307</b>

Valuations - 1 JULY 2010**Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

**Total Assessment Rates**

20,281,416,369	20,185,202,028
18,946,107,897	18,886,825,978
1,212,732,150	1,155,809,950
122,576,322	142,566,100
<b>20,281,416,369</b>	<b>20,185,202,028</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. A Business will pay 20% more than a household and farms or rural properties will pay 25% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly installments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

24

**GOVERNMENT GRANTS AND SUBSIDIES****Unconditional Grants**

Equitable Share - Refer to Note 24.01

**Conditional Grants**

National: FMG  
Municipal Infrastructure Grant  
Flood Monies  
Drought Relief Grant  
Eden District Municipality Water Grant  
Provincial: Housing Grant  
Umsobomvu Youth Fund  
Municipal Systems Improvement Grant  
National Electrification Programme  
Community Development Workers  
Library Grant  
Neighbourhood Development Grant

**Total Government Grants and Subsidies**

Government Grants and Subsidies - Capital  
Government Grants and Subsidies - Operating

The municipality does not expect any significant changes to the level of grants.

**24.01 Equitable share**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury

**24.02 National FMG**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Balance transferred to current assets/liabilities

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**24.03 Municipal Infrastructure Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Balance transferred to current assets/liabilities

The MIG grants are aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

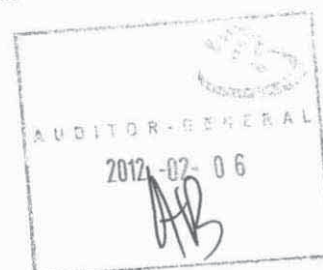
2011 R	2010 R
<b>17,536,395</b>	<b>14,308,727</b>
17,536,395	14,308,727
<b>90,070,426</b>	<b>72,929,988</b>
2,750,000	2,750,000
9,094,153	9,630,847
-	9,559,578
20,000,000	-
1,000,000	-
33,987,853	44,591,591
-	22,296
750,000	400,000
11,193,967	4,251,484
75,000	72,000
350,000	184,000
10,709,059	1,468,192
<b>107,606,821</b>	<b>87,238,715</b>
61,215,142	24,910,101
46,391,679	62,328,614
<b>107,606,821</b>	<b>87,238,715</b>
<b>17,536,395</b>	<b>14,308,727</b>
-	-
2,750,000	2,750,000
(2,750,000)	(2,750,000)
-	-
9,094,153	8,680,000
-	10,045,000
(9,094,153)	(9,630,847)
-	<b>9,094,153</b>



**BITOU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
<b>24.04 MIG Flood</b>		
Balance unspent at beginning of year	-	9,559,578
Conditions met - transferred to revenue	-	(9,559,578)
Balance transferred to current assets/liabilities	-	-
The grant was received from the Provincial Department of Local Government and Housing for the repair of houses and Infrastructure damaged during the 2007 floods. No funds were withheld.		
<b>24.05 Drought Relief Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	20,000,000	-
Conditions met - transferred to revenue	(20,000,000)	-
Balance transferred to current assets/liabilities	-	-
The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations .		
<b>24.06 Umsobomvu Youth Fund</b>		
Balance unspent at beginning of year	-	22,296
Conditions met - transferred to revenue	-	(22,296)
Balance transferred to current assets/liabilities	-	-
The grant was received from the Umsobomvu Youth Fund for the establishment of a youth advisory centre.		
<b>24.07 Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	750,000	400,000
Conditions met - transferred to revenue	(750,000)	(400,000)
Balance transferred to current assets/liabilities	-	-
The grant was received from the National Department of Provincial and Local Government for the improvement of Municipal Systems. No funds were withheld.		
<b>24.08 National Electrification Programme</b>		
Balance unspent at beginning of year	1,436,516	-
Current year receipts	10,000,000	5,688,000
Conditions met - transferred to revenue	(11,193,967)	(4,251,484)
Balance Previously reported	-	(3,728,466)
Correction of opening balance - Note 36.05	-	(523,017)
Balance transferred to current assets/liabilities	242,550	1,436,516
The grant was received from the National Department of Minerals and Energy for the electrification of houses. No funds were withheld.		
<b>24.09 Community Development Workers</b>		
Balance unspent at beginning of year	-	-
Current year receipts	75,000	72,000
Conditions met - transferred to revenue	(75,000)	(72,000)
Balance transferred to current assets/liabilities	-	-
The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.		
<b>24.1 Library Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	350,000	184,000
Conditions met - transferred to revenue	(350,000)	(184,000)
Balance transferred to current assets/liabilities	-	-
The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.		





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>24.11 Spatial Planning</b>		
Balance unspent at beginning of year	84,200	84,200
Balance transferred to current assets/liabilities	<u>84,200</u>	<u>84,200</u>
The grant was received from the Provincial Department of Environmental Affairs and Planning for the review of the spatial development framework. No funds were withheld. Projects that relates to Spatial Planning are still incomplete.		
<b>24.12 Revitalise urban areas</b>		
Balance unspent at beginning of year	50,000	50,000
Balance transferred to current assets/liabilities	<u>50,000</u>	<u>50,000</u>
The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the revitalisation of urban areas. No funds were withheld. Projects that relate to the above are still incomplete.		
<b>24.13 Socio Economic upgrading informal settlement</b>		
Balance unspent at beginning of year	50,000	50,000
Balance transferred to current assets/liabilities	<u>50,000</u>	<u>50,000</u>
The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the socio-economic upgrading of informal settlements. No funds were withheld. Projects that relates to socio economic upgrade of informal settlements are still incomplete.		
<b>24.14 Traffic Disaster</b>		
Balance unspent at beginning of year	782	782
Balance transferred to current assets/liabilities	<u>782</u>	<u>782</u>
The grant was received from Provincial Department to assist with Traffic Disasters		
<b>24.15 Provincial Management Support Grant</b>		
Balance unspent at beginning of year	324,600	324,600
Conditions met - transferred to revenue	(160,395)	-
Balance transferred to current assets/liabilities	<u>164,205</u>	<u>324,600</u>
The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.		
<b>24.16 MPC Kurland</b>		
Balance unspent at beginning of year	16,818	16,818
Balance transferred to current assets/liabilities	<u>16,818</u>	<u>16,818</u>
The grant was received from the National Department of Agriculture for an Local Economic Development project. The monies were to be used for a job creation project, specifically for woman. The project is still incomplete		
<b>24.17 Neighbourhood Development Grant</b>		
Balance unspent at beginning of year	3,531,807	-
Current year receipts	14,709,148	5,000,000
Conditions met - transferred to revenue	(10,709,059)	(1,468,193)
Balance transferred to current assets/liabilities	<u>7,531,896</u>	<u>3,531,807</u>
The grant was received from National Treasury for the Coming Together Project. The project is still incomplete.		



BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>24.18 Provincial Housing Grant</b>		
Balance unspent/(unpaid) at beginning of year	7,423,123	(3,602,856)
Current year receipts	52,405,094	55,617,570
Conditions met - transferred to revenue	(33,987,853)	(44,591,591)
Balance transferred to current assets/liabilities	<b>25,840,364</b>	<b>7,423,123</b>
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		
<b>24.19 Eden District Municipality Water Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
Balance transferred to current assets/liabilities	<b>-</b>	<b>-</b>
The grant was received from the Eden District Municipality for water infrastructure . No funds were withheld.		
<b>25 OTHER OPERATING GRANT EXPENDITURE</b>	<b>27,927,076</b>	<b>24,612,902</b>
Other operating Grant expenditure relates to Grant Expenditure on Provincial Housing, Financial Management grant, Community Development workers grant, Municipal Systems Improvement Grant , Library Grant and Umsobumvo Youth Fund Grant. These grants are of an operating nature as the expenditure relates to Top structures of Houses, appointment of Financial Interns, temporary staff at the libraries, assistance with the expenditure of CDW's and improvements on the Municipal financial system.		
<b>26 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Augmentation Fees : Electricity	802,666	366,172
Augmentation Fees : Sewerage	1,381,661	367,596
Augmentation Fees : Water	1,452,031	1,696,203
Donated Land	-	9,061,745
Social Responsibility	-	162,352
<b>Total</b>	<b>3,636,357</b>	<b>11,654,068</b>
<b>27 SERVICE CHARGES</b>	<b>140,024,387</b>	<b>118,871,287</b>
Electricity	74,924,583	62,776,679
Water	27,639,063	23,333,724
Refuse removal	13,228,949	10,927,007
Sewerage and Sanitation Charges	24,231,791	21,833,877
<b>Less: Rebates</b>	<b>2,998,602</b>	<b>3,321,726</b>
<b>Total Service Charges</b>	<b>137,025,785</b>	<b>115,549,561</b>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>28 OTHER INCOME</b>		
Fuel Sales	2,871	781,184
Landing Fees	31,442	39,343
Building Plan fees	1,394,459	1,389,518
Boat Launching Fees	166,456	368,303
List of building plans	5,273	8,129
Sale of wheelie bins	16,257	28,384
Fire fighting fees	90,350	68,941
Cemetery fees	34,168	40,762
Conservancy charges	774,503	705,015
Connection fees	229,254	399,015
Service connections	96,316	69,847
Re- / disconnection	185,256	200,235
Sundry Income	2,014,225	2,654,828
<b>Total Other Income</b>	<b>5,040,831</b>	<b>6,753,504</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

29

## EMPLOYEE RELATED COSTS

	2011 R	2010 R
Employee related costs - Salaries and Wages	59,312,075	50,173,127
Employee related costs - Contributions for UIF and pensions	9,082,752	9,227,000
Bonuses: 13th Cheque	5,063,647	3,927,874
Overtime Payments	4,030,644	4,207,101
Standby Allowance	843,673	800,048
Travel, motor car, accommodation, subsistence and other allowances	6,557,867	5,777,030
Housing benefits and allowances	617,532	603,796
Medical Aid Contribution	7,606,795	6,599,156
Group Life Insurance	1,715,598	1,573,103
Contribution to Leave Gratuity	1,954,924	2,083,514
Contribution to provision for post- retirement medical aid benefits	4,249,370	3,431,621
Contribution to long-service provision	378,521	313,883
Contribution to provision - Task - Note 7	744,798	938,805
<b>Total Employee Related Costs</b>	<b>102,158,196</b>	<b>89,656,059</b>

## KEY MANAGEMENT PERSONNEL

The Municipal Manager, Chief Financial Officer, Director Corporate Services, Director Strategic Services, Director Municipal Services and Infrastructure Development and Director: Community Services is appointed on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

*Remuneration of the Municipal Manager*

Annual Remuneration	944,379	899,243
Performance Bonuses	107,467	100,530
Travelling Allowance	144,000	144,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	31,422	31,422
<b>Total</b>	<b>1,245,268</b>	<b>1,193,195</b>

*Remuneration of the Director Municipal Services and Infrastructure Development*

Annual Remuneration	513,600	628,048
Performance Bonuses	91,347	28,484
Travelling Allowance	323,789	285,420
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	114,443	-
<b>Total</b>	<b>1,061,178</b>	<b>959,952</b>

*Remuneration of the Director Corporate Services*

Annual Remuneration	813,174	777,713
Performance Bonuses	91,347	85,451
Travelling Allowance	100,000	100,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	38,657	35,755
<b>Total</b>	<b>1,061,178</b>	<b>1,016,918</b>

*Remuneration of the Chief Financial Officer*

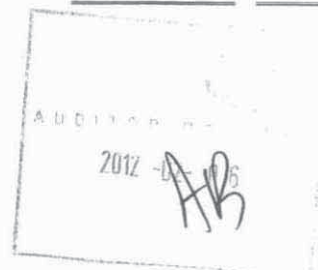
Annual Remuneration	874,275	833,652
Performance Bonuses	96,720	90,477
Travelling Allowance	132,000	132,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	1,547	1,547
<b>Total</b>	<b>1,122,541</b>	<b>1,075,676</b>

*Remuneration of the Director: Strategic Services*

Annual Remuneration	695,805	561,600
Performance Bonuses	91,347	85,451
Travelling Allowance	129,235	249,235
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	126,791	102,632
<b>Total</b>	<b>1,061,178</b>	<b>1,016,918</b>

*Remuneration of the Director: Community Services*

Annual Remuneration	776,405	738,045
Performance Bonuses	91,347	85,451
Travelling Allowance	144,000	144,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	31,427	31,422
<b>Total</b>	<b>1,061,178</b>	<b>1,016,918</b>



BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
<b>30</b>	<b>REMUNERATION OF COUNCILLORS</b>		
	Executive Mayor	531,865	519,681
	Deputy Executive Mayor	427,846	415,744
	Speaker	422,162	415,744
	Mayoral Committee Members	431,975	389,760
	Councillors	1,027,282	1,091,321
	Councillors- other allowances	151,693	160,224
	<b>Total Councillors' Remuneration</b>	<b>2,992,823</b>	<b>2,992,474</b>
	<b>In-kind Benefits</b>		
	The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.		
	<b>Certification by the Acting Municipal Manager</b>		
	I certify that the remuneration of Councillors and in - kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Acts and the Minister of Cooperative Governance and Traditional Affairs, determination in accordance with this Act.		
<b>31</b>	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 19	10,920,985	5,616,051
	Trade Receivables from non-exchange transactions - Note 19	1,203,467	1,954,363
	<b>Total Contribution to Impairment Provision</b>	<b>12,124,452</b>	<b>7,570,413</b>
<b>32</b>	<b>INVENTORY IMPAIRMENT</b>		
	Inventory	89,072	286,232
		<b>89,072</b>	<b>286,232</b>
<b>33</b>	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	9,869,930	6,986,746
	Finance leases	263,064	65,411
	Hire Purchase	7,744	13,182
	Landfill Site -restated	355,133	539,011
	<b>Total finance charges</b>	<b>10,495,871</b>	<b>7,604,350</b>
<b>34</b>	<b>BULK PURCHASES</b>		
	Electricity	50,581,992	40,643,872
	<b>Total Bulk Purchases</b>	<b>50,581,992</b>	<b>40,643,872</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>35 GENERAL EXPENSES</b>		
Advertising	541,205	632,912
Hire & Maintenance	1,488,623	2,509,499
Hire of Vehicles	2,304,641	2,280,287
Local Economic Development	3,688	695,774
I T Support	3,136,130	2,640,794
Insurance	718,747	1,272,047
Materials and Stores	816,425	937,367
Printing and Stationary	650,502	700,074
Audit Fees	2,221,915	1,553,325
Rent: Other	952,389	463,296
Events & Festivals	1,139,690	474,197
Disaster Relief	1,831,759	3,074,243
Congresses and Seminars	960,430	1,578,337
Third Party Payments	22,749	116,691
Security	2,713,978	1,955,968
Emergency VIP Protection	695	486,370
Telecommunication	1,512,678	1,463,165
Training	621,139	840,507
Valuation Expense	-	1,600,499
Legal Expenses	4,182,518	6,077,262
Fuel Purchases	-	617,671
Electricity Supply	1,856,307	1,668,571
General Cleanup	1,293,438	1,490,666
World Cup 2010	-	1,909,788
Vehicle Operating Cost	3,488,808	3,245,272
Chemicals	1,125,944	1,004,937
Other	15,840,456	16,360,223
<b>General Expenses</b>	<b>49,424,855</b>	<b>57,649,739</b>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

**36 CORRECTION OF ERROR IN TERMS OF GRAP 3**

The municipality utilised the Transitional Provisions in Directive 4, issued by the Accounting Standards Board, in prior years. Information for the measurement of the applicable items for which the Transitional Provisions were utilised was since obtained and now restated retrospectively. In addition certain errors were detected which relates to prior years and were also restated retrospectively. The effects of these restatements are listed below.

	2010 R
<b>36.01 Property, Plant and Equipment</b>	
<b>Balance previously reported</b>	<b>319,083,312</b>
First time recognition of Land - Note 12	112,391,539
First time recognition of Buildings- Note 12	2,360,068
Depreciation on Buildings first time recognised- Note 12	(1,691,598)
Reversal of Land previously transferred but still reflecting on FAR - Note 12	(1,477,701)
Reversal of Buildings previously transferred but still reflecting on FAR - Note 12	(2,501,263)
Reversal of Depreciation charged on buildings incorrectly classified as municipal property - Note 12	1,681,227
Sliding gate incorrectly classified as Land and Buildings - Note 12	(12,500)
Land and Building reclassified as Community Assets due to unbundling - Note 12	(17,133)
Transferred from Land and Building reclassified to Community Assets due to unbundling - Note 12	17,133
Laptops previously classified under intangible Assets - Note 14	31,283
Depreciation on Laptops previously classified under intangible Assets - Note 14	(28,155)
Operating expenditure (Parks) incorrectly capitalised as PPE - Note 12	(152,675)
Transfer from Infrastructure assets- reclassified due to unbundling - Note 12	784,450
Transferred to community assets due to unbundling - Note 12	(784,450)
Depreciation adjustment of community assets due to unbundling - Note 12	21,962
Depreciation adjustment of community assets due to review of useful lives - Note 12	327,675
Adjustment of Infrastructure Opening Balance due to unbundling - Note 12	(9,710,928)
Transfer opening balance to Work In Progress due to unbundling - Note 12	2,588,902
Transfer to additions due to unbundling - Note 12	7,122,027
Adjustment of Infrastructure 2009/10 movement due to capitalisation of retention fees - Note 12	1,591,814
Adjustment of depreciation of Infrastructure due to Review of Useful lives - Note 12	282,048
Adjustment of 2009 /10 depreciation movement of Infrastructure due to unbundling - Note 12	(101,148)
Fair Value adjustment of Other assets - Note 12	9,283,246
Depreciation adjustment due to Fair value of Other assets - Note 12	(1,152,700)
Depreciation adjustment on Community Assets due to unbundling - Note 12	57,137
Depreciation adjustment on Buildings due to review of useful life - Note 12	989,023
Additional adjustment of 2009 /10 depreciation movement of Infrastructure due to unbundling - Note 12	34,375
<b>Total</b>	<b>441,016,970.40</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2010 R
<b>36.02 Investment Property</b>	
Balance previously reported	1,161,797
First time recognition of Investment Property - Note 13	96,649,986
Accumulated Depreciation charged on Investment Property first time recognised- Note 13	(204,292)
Reversal of Properties previously transferred but still reflecting on FAR - Note 13	(17,000)
<b>Total</b>	<b>97,590,491</b>
<b>36.03 Payables from exchange transactions</b>	
Balance previously reported	36,222,730
Retention fees previously not recognised - Note 36.01	1,591,814
<b>Total</b>	<b>37,814,544</b>
<b>36.03 Operating Lease Liability</b>	
Balance previously reported	643,510
Operating Lease Liability previously not recognised up to 1 July 2009 - Note 21.1	(55,017)
Operating Lease Liability movement previously not recognised - Note 21.1	(22,870)
<b>Total</b>	<b>565,623</b>
<b>36.04 Operating Lease Asset</b>	
Balance previously reported	14,793
Operating Lease asset previously not recognised up to 1 July 2009 - Note 21.2	(11,266)
Operating Lease asset movement previously not recognised - Note 21.2	1,555
<b>Total</b>	<b>5,083</b>
<b>36.05 Unspent conditional grants and receipts</b>	
Balance previously reported	22,535,016
Correction of opening balance - Note 9	(523,017)
<b>Total</b>	<b>22,011,999</b>
The unspent grant for NEP was reflected incorrect in the prior financial year, as the VAT portion of the grant was not disclosed as expenditure.	
<b>36.06 Long Term Receivables</b>	
Balance previously reported	375,175
Correction of Long Term Receivable Opening Balance - Note 17 and Note 36.09	(1,843)
Correction of 2009/10 movement of Long Term Receivables - Note 17	(163)
<b>Total</b>	<b>373,169</b>
An error occurred in the calculation on the outstanding balance of R Browns long term loan. The prior year figures were corrected to reflect the correct amounts outstanding.	
<b>36.07 Taxes</b>	
Balance previously reported	16,217,722
Correction of opening balance previously reported - Note 11	(3,098,727)
<b>Total</b>	<b>13,118,995</b>
The Vat receivable as reported in the 2009/10 financial year was provided for incorrectly. A correction is needed to correctly reflect the balance in the prior year.	
<b>36.08 Inventory</b>	
Balance previously reported	-
First time recognition of water inventory - Note 18	103,121
<b>Total</b>	<b>103,121</b>
The municipality did not measure water inventory in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the water inventory was measured and restated retrospectively:	



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

36.09	Current Employee Benefits	2010 R
	Balance previously reported	1,410,166
	Correction of Capital Portion of Fund - Note 7	(87,936)
	<b>Total</b>	<b>1,322,230</b>
The Capital portion on the invoice provided by the Cape Joint Retirement Fund this year, differed when compared to the amount indicated by the Fund in the previous financial year. The amount for 2010 was therefore restated.		
36.10	Non - Current Employee Benefits	
	Balance previously reported	27,246,252
	Correction of Post employment Medical Benefits due to recalculation - Note 4	3,033,545
	<b>Total</b>	<b>30,279,797</b>
The comparative year's valuation was done on the basis that a person retiring will receive a 60% subsidy for medical aid, whereas the correct percentage should have been 70%. This has been corrected.		
36.11	Intangible Assets	
	Balance previously reported	9,144,934
	Laptops previously classified as intangible assets Note - 36.01	(31,283)
	Reversal of amortisation previously charged on Laptops Note - 36.01	28,155
	Intangible assets previously incorrectly classified - Note 14	(617,627)
	Reversal of amortisation charged on previously incorrectly classified Intangible assets, prior 2009 - Note 14	602,978
	Reversal of 2009/10 amortisation movement on previously incorrectly classified intangible assets- Note 14	14,650
	Amortisation adjustment due to Review of useful lives - Note 14	24,328
	CIPAL Training costs incorrectly classified as Intangible Assets - Note 36.13	(787,427)
	<b>Total</b>	<b>8,378,707</b>
Items of PPE was previously erroneously classified as intangible assets. Those items with the amortisation was written out of the intangible asset class.		
36.12	Non - Current Provisions	
	Balance previously reported	8,156,719
	Correction of cost previously recognised and adjustment to interest cost on Landfill Site Provision prior 2009 - Note 5	(1,725,592)
	Correction landfill Site provision Interest previously reported 2010 - Note 5	(172,559)
	<b>Total</b>	<b>6,258,567</b>
36.13	Accumulated Surplus/(Deficit)	
	Balance previously reported	163,796,498
	Operating Lease Liability previously not recognised up to 1 July 2009 - Note 36.03	220,485,991
	Operating Lease asset previously not recognised up to 1 July 2009 - Note 36.04	55,017
	Long Term Receivables Correction of error: Opening balance - Note 36.06 and Note 17	(11,266)
	First time recognition of water inventory - Note 18	(1,843)
	First time recognition of Investment Property - Note 36.02	72,172
	Depreciation charged on Investment Property first time recognised up to 1 July 2009- Note 36.02	96,649,986
	Investment Property previously incorrectly recognised - Note 36.02	(74,385)
	First time recognition of Land - Note 36.01	(17,000)
	First time recognition of Buildings - Note 36.01	112,391,539
	Depreciation charged on buildings first time recognised - Note 36.01	2,360,068
	Reversal of Land previously transferred but still reflecting on FAR - Note 36.01	(1,718,181)
	Reversal of Buildings previously transferred but still reflecting on FAR - Note 36.01	(1,477,701)
	Reversal of Depreciation charged on buildings incorrectly classified as municipal property - Note 12	(2,501,263)
	Intangible assets previously incorrectly classified - Note 14	1,674,279
	Reversal of amortisation charged on previously incorrectly classified intangible assets, prior 2009 - Note 14	(617,627)
	Amortisation adjustment due to Review of useful lives - Note 14	602,978
	Depreciation adjustment of community assets due to review of useful lives - Note 12	32,438
	Adjustment of Infrastructure Opening Balance due to unbundling - Note 12	304,231
	Transfer opening balance to Work In Progress due to unbundling - Note 12	(9,710,928)
	Transfer to additions due to unbundling - Note 12	2,588,902
	Adjustment of depreciation of Infrastructure due to change in useful lives - Note 12	7,122,027
	Fair value adjustment of Other Assets - Note 12	269,636
	Depreciation adjustment due to Fair value of Other assets - Note 12	9,283,246
	Depreciation adjustment on Community Assets due to unbundling - Note 12	337,508
	Depreciation adjustment on Buildings due to review of useful life - Note 12	80,257
	Correction of cost previously recognised and adjustment to interest cost on Landfill Site Provision prior 2009 - Note 36.12	1,066,309
	<b>Total</b>	<b>1,725,592</b>
		<b>384,282,489</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 36.14 Statement of financial performance

## Balance previously reported

Correction of Unspent flood Grant Income - Note 9	29,703,929.00
Long Term Receivables Correction of error: Opening balance - Note 36.06 and Note 17	523,017
Correction of 2009/10 VAT - Note 36.07	(163)
Operating Lease Liability movement previously not recognised - Note 36.03	(3,098,727)
Operating Lease asset movement previously not recognised - Note 36.04	22,870
Movement of water inventory previously not recognised - Note 18	1,555
Movement of depreciation on Investment property previously not recognised- Note 36.02	30,949
Movement of depreciation charged on buildings first time recognised - Note 36.01	(129,907)
Reversal of Depreciation charged on buildings incorrectly classified as municipal property - Note 12	26,582
Sliding gate incorrectly classified as PPE - Note 12	6,948
Reversal of amortisation charged on previously incorrectly classified intangible assets, - Note 14	(12,500)
Amortisation adjustment due to Review of useful lives - Note 14	14,650
Depreciation adjustment of community assets due to review of useful lives - Note 12	(8,109)
Operating expenditure (Parks) incorrectly capitalised as PPE - Note 12	23,444
Depreciation adjustment of community assets due to unbundling - Note 12	(152,675)
Adjustment of depreciation of Infrastructure due to change in useful lives - Note 12	21,962
Adjustment of depreciation of Infrastructure due to change in useful lives - Note 12	12,412
Depreciation adjustment due to Fair value of Other assets - Note 12	(101,148)
Depreciation adjustment on Community Assets due to unbundling - Note 12	(1,490,208)
Depreciation adjustment on Buildings due to review of useful live - Note 12	(23,120)
Correction of capital portion of Cape Joint Retirement fund shortfall - Note 36.09	(77,285)
Correction landfill Site provision Interest previously reported 2010 - Note 36.12	87,936
Correction actuarial gain on post retirement medical aid benefits previously reported 2010 - Note 36.1	172,559
CIPAL Training costs incorrectly classified as Intangible Assets - Note 36.11	(3,033,545)
Additional adjustment of 2009 /10 depreciation movement of Infrastructure due to unbundling - Note 36.01	(787,427)
	34,375

## Total

21,768,375

## 37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS

	2011 R	2010 R
Surplus for the year	24,675,562	21,768,375
<b>Adjustments for:</b>		
Depreciation	15,978,269	12,446,757
Amortisation of Intangible Assets	563,150	33,695
Gain on disposal of property, plant and equipment	-	(320,534)
Impairments	176,992	-
Loss on disposal of property, plant and equipment	734,365	-
Contribution from/to employee benefits - non-current	5,400,638	4,694,540
Contribution from/to employee benefits - non-current - expenditure incurred	(772,742)	(952,973)
Contribution from/to employee benefits - non-current - actuarial losses	5,967,722	(964,643)
Contribution to employee benefits - current	8,090,701	8,305,935
Contribution to employee benefits - current - expenditure incurred	(5,216,572)	(3,936,280)
Contribution to provisions - non-current	963,947	876,304
Contribution to provisions - non-current - expenditure incurred	(387,760)	(304,349)
Contribution to provisions - bad debt	12,124,452	7,570,413
Land donation	-	(9,061,745)
Debt Impairment written off	(5,363,598)	(7,240,615)
Operating lease income accrued	966	(440)
Operating lease expenses accrued	(13,147)	41,460
Operating Surplus before changes in working capital	62,922,945	32,955,900
Changes in working capital	25,942,122	10,804,395
Increase/(Decrease) in Trade and Other Payables	18,069,291	17,984,530
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	11,968,815	3,548,325
Increase/(Decrease) in Unspent Public Contributions, Grants and Receipts	2,982,630	(162,352)
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	-	3,602,856
Increase/(Decrease) in Taxes	2,680,789	(5,958,823)
(Increase)/Decrease in Inventory	612,852	1,077,473
(Increase)/Decrease in Trade Receivables from exchange transactions	(8,600,590)	(5,389,917)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(1,771,666)	(3,897,698)
<b>Cash generated by operations</b>	<b>88,865,067</b>	<b>43,760,293</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

38	CASH AND CASH EQUIVALENTS	2011 R	2010 R		
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 22	6,481,294	11,484,922		
	Cash Floats - Note 22	11,220	10,420		
	Bank - Note 22	10,191,098	5,108,728		
	<b>Total cash and cash equivalents</b>	<b>16,683,613</b>	<b>16,604,070</b>		
39	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 38	16,683,613	16,604,070		
	Investments - Note 16	3,971,733	3,669,257		
		20,655,346	20,273,326		
	Less:	40,935,177	25,681,256		
	Unspent Committed Conditional Grants - Note 9	33,980,814	22,011,999		
	Unspent Public Contribution - Note 10	2,982,630	-		
	Secured Investments	3,971,733	3,669,257		
	<b>Net cash resources available for internal distribution</b>	<b>(20,279,831)</b>	<b>(5,407,930)</b>		
	Allocated to:				
	Capital Replacement Reserve	300,001	1,060,218		
	<b>Resources available for working capital requirements</b>	<b>(20,579,833)</b>	<b>(6,468,148)</b>		
40	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 3	102,510,896	90,008,672		
	Used to finance property, plant and equipment - at cost	(102,510,896)	(90,008,672)		
		-	-		
	Cash set aside for the repayment of long-term liabilities	(3,971,733)	(3,669,257)		
	<b>Cash invested for repayment of long-term liabilities</b>	<b>(3,971,733)</b>	<b>(3,669,257)</b>		
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.14 % and 16 % and will be repaid by 2029.				
41	BUDGET COMPARISONS				
41.1	Operational	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
	<b>Revenue by source</b>				
	Property Rates	64,366,830	65,500,000	(1,133,170)	-2%
	Government Grants and Subsidies - Capital	61,215,142	89,534,341	(28,319,199)	-32%
	Government Grants and Subsidies - Operating	46,391,679	57,515,523	(11,123,844)	-19%
	Public Contributions and Donations	3,636,357	2,212,000	1,424,357	64%
	Fines	5,725,133	5,504,000	221,133	4%
	Third Party Payments	54,988	-	54,988	100%
	Property Rates - penalties imposed and collection charges	2,779,932	2,500,000	279,932	11%
	Service Charges	137,025,785	142,068,026	(5,042,241)	-4%
	Rental of Facilities and Equipment	900,588	1,028,522	(127,934)	-12%
	Interest Earned - external investments	1,183,620	1,400,000	(216,380)	-15%
	Licences and Permits	61,236	35,000	26,236	75%
	Gains on Disposal of PPE	-	1,500,000	(1,500,000)	-100%
	Other Revenue	5,040,831	6,985,753	(1,944,922)	-28%
		328,382,121	375,783,165	(47,401,042)	-12.6%
	<b>Expenditure by nature</b>				
	Employee Related Costs	(102,158,196)	(95,337,692)	(6,820,504)	7%
	Remuneration of Councillors	(2,992,823)	(2,973,861)	(18,962)	1%
	Collection Cost	(1,226,435)	(1,150,000)	(76,435)	7%
	Debt Impairment	(12,124,452)	(5,500,000)	(6,624,452)	120%
	Depreciation and Amortisation	(16,541,420)	(13,328,299)	(3,213,121)	24%
	Inventory Impairment	(89,072)	-	(89,072)	100%
	Impairments	(176,992)	-	(176,992)	
	Repairs and Maintenance	(14,792,999)	(14,863,610)	70,611	0%
	Actuarial losses	(5,967,722)	(1,350,000)	(4,617,722)	342%
	Finance Charges	(10,495,871)	(9,677,716)	(818,155)	8%
	Bulk Purchases	(50,581,992)	(51,611,300)	1,029,308	-2%
	Contracted services	(8,472,288)	(8,404,500)	(67,788)	1%
	Operating Grant Expenditure	(27,927,077)	(24,873,000)	(3,054,077)	12%
	Loss on Disposal of PPE	(734,365)	-	(734,365)	100%
	General Expenses	(49,424,855)	(53,284,896)	3,860,041	-7%
		(303,706,559)	(282,354,874)	(21,351,685)	7.6%
	<b>Net Surplus for the year</b>	<b>24,675,562</b>	<b>93,428,291</b>	<b>(68,752,727)</b>	<b>-73.6%</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Details of Material Variances

Government Grants and Subsidies - Capital	-32%	All projects not completed yet, forms part of unspent grants
Government Grants and Subsidies - Operating	-19%	Housing classified as Operating grant, project not yet finished
Public Contributions and Donations	64%	More property developments approved than expected
Third Party Payments	100%	Difficult to budget for this type of expenditure
Property Rates - penalties imposed and collection charges	11%	Growth in outstanding debtors due to economic climate
Rental of Facilities and Equipment	-12%	Decrease in rental income, smoothing of leases from rental votes to asset and liability
Interest Earned - external investments	-15%	Decrease in interest rates and decrease cash available for investment purposes
Licences and Permits	75%	Increased number of vehicles registered
Gains on Disposal of PPE	-100%	Revenue from sale of immovable property did not realise
Other Revenue	-28%	Less income received on cemetery fees, building plans, connection fees etc.
Debt Impairment	120%	Contribution to provision more than budgeted for
Depreciation and Amortisation	24%	Implementation of Directive 4
Operating Grant Expenditure	12%	Accounting for unspent housing grant recognised

**Capital Expenditure**

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	125,881	470,007	(344,126)	-73%
Budget & Treasury	10,402,705	10,692,500	(289,795)	-3%
Planning & Development	26,325	101,538	(75,213)	-74%
Community & Social Services	4,639,683	10,144,269	(5,504,586)	-54%
Housing	13,072,432	37,031,000	(23,958,568)	-65%
Public Safety	1,411,313	2,227,082	(815,769)	-37%
Sport & Recreation	6,185,179	7,638,497	(1,453,318)	-19%
Waste Management	-	80,000	(80,000)	-100%
Waste Water Management	1,982,753	2,304,613	(321,860)	-14%
Road Transport	10,329,628	14,404,629	(4,075,001)	-28%
Water	36,291,242	34,145,933	2,145,309	6%
Electricity	14,437,391	17,429,724	(2,992,333)	-17%
<b>Total</b>	<b>98,904,532</b>	<b>136,669,792</b>	<b>(37,765,261)</b>	<b>-28%</b>

Details of material variances

Executive & Council	-73%	Certain projects not proceeded with
Planning & Development	-74%	Certain projects not proceeded with
Community & Social Services	-54%	Central library project did not progressed as planned
Housing	-65%	Purchase transaction for additional land not concluded at year end
Public Safety	-37%	Fire pumper not fully manufactured and delivered
Sport & Recreation	-19%	Upgrade of Kwanokuthula sportsfield not started at year end
Waste Management	-100%	Did not proceed with projects because of insufficient budget
Waste Water Management	-14%	One instead of two floating aerators installed
Road Transport	-28%	Main Street case not finalised and NDPG project not completed at year end
Electricity	-17%	Demand site management project not completed at year end





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

42	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2011 R	2010 R
42.1	<b>Unauthorised expenditure</b>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	-	-
	Unauthorised expenditure current year - capital	-	887,229
	Unauthorised expenditure current year - operating	43,363,835	14,330,531
	Approved by Council or condoned	-	(9,809,830)
	<b>Unauthorised expenditure awaiting authorisation</b>	<b>43,363,835</b>	<b>5,407,930</b>

Incident	Details
The approved Operating and Capital budget was exceeded in the following instances	
Executive and Council 12,588,458	Increased expenditure i.r.o Employee Benefits, (TASK implementation, subsidies, and skills development levy.
Community and Social Services 491,911	Recalculation of depreciation due to unbundling
Housing 3,391,253	Operating grant expenditure increased due to recognition of unspent grant
Public Safety 2,090,091	Increased cost to implement speed law enforcement and depreciation allocation
Sport and Recreation 1,766,789	Increased personnel expenditure due to seasonal workers and increased Parks Maintenance as well as depreciation allocation
Waste Management 1,877,792	Increased cost that relates to the closure of the landfill site and refuse removal
Waste Water Management 1,116,626	Depreciation allocation and bad debt provision
Water Service 1,827,361	Increase in provision for bad debt and recalculation of
Unspent grants not cash backed 17,297,201	Part of the unspent grants was not cash backed at year end and is shown as unauthorised expenditure

42.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	3,619,682	1,490,971
Condoned or written off by Council	-	(1,490,971)
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>3,619,682</b>	<b>-</b>

Incident	Disciplinary steps/criminal proceedings
Interest paid on late payment (Eskom) R 12,397	None
Interest paid on late payment (AVIS) R 787.81	None
Electricity losses R 1,751,740	None
Water losses R 1,854,757	None

42.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	-	18,973,556
Irregular expenditure current year	4,626,366	(18,973,556)
<b>Irregular expenditure awaiting condonement</b>	<b>4,626,366</b>	<b>-</b>

42.4 **Material Losses****Electricity distribution losses**

Kwh Purchased	103,307,029	101,547,925
Kwh Sold	89,646,149	91,808,781
Kwh Losses	13,660,881	9,739,144
Kwh cost	0.53	0.49
% Losses	13.22%	9.59%
Amount of loss considered fruitless expenditure above a norm of average 10%	1,751,740	-

**Water distribution losses**

Units Purified	2,615,070	2,835,490
Kl Sold	1,663,176	1,821,105
Kl Lost	951,894	1,014,385
Kl cost	2.69	2.02
% Losses	36.40%	35.77%
Amount of loss considered fruitless expenditure above a norm of average 10%	1,854,757	1,477,628



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
<b>43</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>43.1</b>	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>		
	Council subscriptions	417,265	398,598
	Amount paid - current year	(417,265)	(398,598)
	<b>Balance unpaid (Included in creditors)</b>	-	-
<b>43.2</b>	<b><u>Audit fees - [MFMA 125 (1)(b)]</u></b>		
	Opening balance	-	-
	Current year audit fee	2,221,915	1,553,325
	External Audit - Auditor-General	2,221,915	1,553,325
	Amount paid - current year	(2,221,915)	(1,553,325)
	<b>Balance unpaid (Included in creditors)</b>	-	-
<b>43.3</b>	<b><u>VAT - [MFMA 125 (1)(b)]</u></b>		
	VAT	(10,438,207)	(13,118,995)
	VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
<b>43.4</b>	<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
	Opening balance	-	4,600
	Current year payroll deductions and Council Contributions	12,372,055	8,963,951
	Amount paid - current year	(12,372,055)	(8,968,551)
	<b>Balance unpaid (Included in creditors)</b>	-	-
<b>43.5</b>	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	16,053,558	14,000,500
	Amount paid - current year	(16,053,558)	(14,000,500)
	<b>Balance unpaid (Included in creditors)</b>	-	-
<b>43.6</b>	<b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>		
	No Councillors had arrear consumer accounts for more than 90 days during the financial year		





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 43.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Between R2,000 and R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000
Northfield Engineers (PTY) LTD	4,503	75,056	-
Seaview plant hire and civil contractors	-	443,677	-
Mazars	17,100	-	-
Cool Technology	-	30,713	-
Excelcom	5,404	-	-
Excelcom	-	44,310	-
Jeremy Opperman & Associates	21,500	-	-
Steyns Drilling Trust	-	41,086	-
Kaapstad Com CC	6,840	-	-
Bright Ideas project 2278	-	145,000	-
Teloc(pty) ltd enviro-friendly	-	113,430	-
2 Heads advertising & professional	7,370	-	-
Much-asphalt	-	58,098	-
Tricom Africa	-	40,533	-
Maveric stretch tents	-	31,341	-
Much - Asphalt	-	48,530	-
Barnes Engine Re - builders CC	-	52,797	-
Gym and Pool Health and Fitness	10,400	-	-
Beacon Surveys CC	29,640	60,000	-
Majola & BOYD (PTY) LTD	-	95,880	-
Plett Building Supplies	5,363	-	-
Pennypinchers Plettenberg Bay	24,523	39,318	-
SA GOLF Trader CC	5,586	-	-
Syntell Networks(PTY) LTD	-	48,320	-
EXCELCOM	-	35,478	-
Norht Field Engineering (PTY)LTD	-	50,369	-
Huber Technology	-	92,340	-
HILL & Associates	-	84,730	-
JOHN Heeger Associates	-	70,680	-
C N Business Furniture	-	44,966	-
Marais Taxi Services	-	32,000	-
EDEN District Municipality	5,000	-	-
Combined Systems (PTY)LTD	-	-	389,897
AURECON George	-	233,130	-
S. Haddan Agriculture	4,799	113,430	-
TELOC (PTY)LTD Enviro-Friendly	-	-	-
Ballyhoo Trading CC	20,452	-	-
Dreamlink Technologies CC	8,400	-	-
Uncedo Taxi Association	-	32,000	-
Bright Idea Projects	-	145,000	-
Impact Gear	9,221	-	-
Tricom Africa	-	66,177	-
Hidrostaal S.A (PTY) LIMITED	29,911	-	-
Events & Tents	34,340	-	-
Kraaibosch Nurseries	18,427	-	-
Bright Ideas Project 2278	-	145,000	-
Melville's Spar	13,218	-	-
Heat Engineering CC	22,313	-	-
Avusa Media	27,640	-	-
Notefull	-	40,000	-
Xylophone NO 10 CC	-	49,139	-
Spring Forest 630 CC	14,622	-	-
SKosonke Trading	14,500	-	-
Welltek Services	-	-	479,321
TELOC(PTY)LTD Enviro	-	32,231	-
Young Africa Publishing	7,980	-	-
Educon CCT	22,000	-	-
Highbury Safika Media	28,500	-	-
Ocean Rock Media CC	-	32,000	-
Ignite Advisory Services	-	32,832	-
SAKATI X.	8,500	-	-
Zig Zag	26,505	-	-
Coastal Armature Winders and Son	-	31,772	-
Find IT SA	18,240	-	-
Spring Forest Trading\ 684	11,100	-	-
Garden Route Jetting and Plat	16,530	-	-
Future Enterprise	-	48,750	-
MARTIQ	-	30,928	-
Mazars Moores Rowland	6,270	-	-
Bayanzeal Trading	-	75,000	-
EXCELCOM	-	48,307	-
VOLTEX George	-	31,651	-
Tricom Africa	19,245	-	-
VICTORY Ticket 887 CC	23,700	213,350	-
IMPI WIRE	21,651	-	-



BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Lifesaving SA	-	30,050	-
Professional Aviation	7,182	-	-
Gallic G	34,644	-	-
Jermey Opperman & Assoc	21,500	-	-
Serious Moonlight	-	41,040	-
C.R.FRASER Aquatic	16,717	-	-
Teloc (PTY) LTD	-	113,430	-
Plett Electrical Supply	-	130,587	-
Premier Attraction 1072	-	81,000	-
Van Aswegen Fencil	-	45,626	-
Ballyhoo Trading CC	11,400	-	-
Litter - Man	12,200	-	-
MDL Electrical	-	70,180	-
Western Cape Transformer Services	9,800	-	-
A.L. Abbot & Associates (Pty) Ltd	9,216	-	-
Onduka	25,980	-	-
Krnsna Nissan	21,049	-	-
Bitou Small Farmers Association	-	53,350	-
CSKD Trading Enterprise CC	-	150,000	-
RK Sauer Construction	-	90,056	-
Sphethezona Trading Investment	-	37,500	-
Power Measurement & Distrubution	-	86,250	-
	<b>740,983</b>	<b>4,108,415</b>	<b>869,218</b>

The Accounting Officer approved the above deviations in terms of Section 36 of the Municipal Supply Chain Management regulations.

43.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

Councillor/Staff Member	Entity	Capacity	2011
Mrs. V Cunningham	A.G Cunningham T/A Cunningham Construction	Human Resources Assistant	11,040
Mr. M Mbali	Amba & Associates	Councillor	29,000
MS. E Marais	E & P Enterprises	PA to the Chief Financial Officer	45,418
Mrs. P Pambaniso	Inyameko Trading 1002	Administration Assistant: Housing	27,308
Ms. E Tshembese	Inyameko Trading 1005	LED Official	91,340
Mr. M Msizi	Lihlumlile Projects	General Worker	9,330
Mr. S Lose	Phelo Construction	Youth Advisory Officer	10,084
Mr. J Pika	Pika Tours	Sport Development Officer	118,147
Mr. A. Gova	Sizila Construction	Handyman	160,293
Mr.T.Nqolo	Victory Ticket 887 CC	Director Administration	1,265,229
Miss L Fikeni	World Focus 1343 CC T/A	Radio Control Room Operator	12,405
			<b>1,779,595</b>

\* Miss L Fikeni has 26% interest in World Focus 1343 cc/T A

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CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure  
Community

Total

This expenditure will be financed from:

External Loans  
Capital Replacement Reserve  
Government Grants

	2011 R	2010 R
	10,716,995	9,096,517
	9,891,995	5,186,737
	825,000	3,909,780
	<b>10,716,995</b>	<b>9,096,517</b>
	2,084,671	-
	1,100,428	9,096,517
	7,531,896	-
	<b>10,716,995</b>	<b>9,096,517</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	Assets	Liabilities
<b>2011</b>		
Amount subject to interest rate risk	20,655,346	109,345,651
0.5% Increase in interest rates	103,277	(546,728)
0.5% Decrease in interest rates	(103,277)	546,728
<b>2010</b>		
Amount subject to interest rate risk	20,262,907	98,165,391
0.5% Increase in interest rates	101,315	(490,827)
0.5% Decrease in interest rates	(101,315)	490,827

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavors to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 19 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
Electricity	10.09%	3,126,229	7.61%	2,358,615
Water	22.41%	6,945,195	15.62%	4,840,099
Housing Rentals	0.56%	173,308	2.37%	733,031
Refuse	18.43%	5,710,598	13.33%	4,130,787
Sewerage	26.69%	8,272,227	21.89%	6,783,906
Other Consumer Arrears	6.42%	1,990,652	5.66%	1,752,870
Rates	15.41%	4,775,365	11.72%	3,633,410
	<b>100.00%</b>	<b>30,993,573</b>	<b>78.19%</b>	<b>24,232,719</b>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

	2011 R	2010 R
Long term receivables	366,101	453,821
Non-Current Investments	3,971,733	3,669,257
Trade receivables and other receivables	30,442,279	26,830,889
Cash and Cash Equivalents	16,683,613	16,604,070
	<b>51,463,726</b>	<b>47,558,036</b>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2011</b>				
Long Term liabilities	18,285,305	64,993,213	60,690,940	43,036,658
Capital repayments	7,443,040	29,492,607	35,360,891	30,214,358
Interest	10,842,265	35,500,606	25,330,049	12,822,299
Trade and Other Payables	45,922,157	-	-	-
Unspent conditional government grants and receipts	33,980,814	-	-	-
	<b>98,188,277</b>	<b>64,993,213</b>	<b>60,690,940</b>	<b>43,036,658</b>
<b>2010</b>				
Long Term liabilities	14,715,621	55,742,297	51,252,256	50,985,374
Capital repayments	5,228,742	23,689,039	26,576,528	34,514,362
Interest	9,486,879	32,053,258	24,675,728	16,471,012
Trade and Other Payables	31,494,124	-	-	-
Unspent conditional government grants and receipts	22,011,999	-	-	-
	<b>68,221,744</b>	<b>55,742,297</b>	<b>51,252,256</b>	<b>50,985,374</b>





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

46	FINANCIAL INSTRUMENTS		2011 R	2010 R
	In accordance with GRAP 104, the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
46.1	<b>Financial Assets</b>	<b>Classification</b>		
	<b>Long-term Receivables</b>			
	Car Loans	Financial Instruments at amortised cost	290,794	373,170
	<b>Consumer Debtors</b>			
	Receivables from exchange transactions	Financial Instruments at amortised cost	20,373,116	17,391,437
	Receivables from non-exchange transactions	Financial Instruments at amortised cost	10,069,163	9,439,452
	<b>Current Portion of Long-term Receivables</b>			
	Car Loans	Financial Instruments at amortised cost	-	(6,095)
	Housing Loans	Financial Instruments at amortised cost	75,307	80,651
	<b>Short-term Investment Deposits</b>			
	Call Deposits	Financial Instruments at amortised cost	10,191,098	5,108,728
	<b>Bank Balances and Cash</b>			
	Bank Balances	Financial Instruments at amortised cost	6,481,294	11,484,922
	Cash Floats and Advances	Financial Instruments at amortised cost	11,220	10,420
	<b>Non-Current Investments</b>			
	Fixed Deposits	Financial Instruments at amortised cost	3,971,733	3,669,257
			<b>51,463,725</b>	<b>47,551,941</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial Instruments at amortised cost		<b>51,463,725</b>	<b>47,551,941</b>
46.2	<b>Financial Liability</b>	<b>Classification</b>		
	<b>Long-term Liabilities</b>			
	Annuity Loans	Financial Instruments at amortised cost	93,855,747	85,069,056
	Capitalised Lease Liability	Financial Instruments at amortised cost	803,859	303,089
	<b>Payables from exchange transactions</b>			
	Trade creditors	Financial Instruments at amortised cost	44,302,390	26,869,986
	Retentions	Financial Instruments at amortised cost	322,052	2,003,588
	<b>Unspent Conditional Grants and Receipts</b>			
	Other Spheres of Government	Financial Instruments at amortised cost	33,980,814	22,011,999
	<b>Current Portion of Long-term Liabilities</b>			
	Annuity Loans	Financial Instruments at amortised cost	6,722,942	4,316,034
	Capitalised Lease Liability	Financial Instruments at amortised cost	1,128,347	229,075
			<b>181,116,154</b>	<b>140,802,828</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial Instruments at amortised cost		<b>181,116,154</b>	<b>140,802,828</b>
47	<b>EVENTS AFTER THE REPORTING DATE</b>			
	<b>Civils 2000</b>			
	The claim is in connection with a dispute regarding additional work done on the upgrade of Main Street. The amount was settled on R1,545,631 m in August 2011.			
48	<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
49	<b>PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.			



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**50 CONTINGENT LIABILITY**

Council determined the following contingent liabilities at the end of the financial year 2010/2011:

**50.1 Vaughn Barry Arenold**

The claim is for an order that Vaughn Barry Arenold and the Municipality entered into a no compensation agreement that within one month thereafter the municipality would approve the building plans. This is a High Court matter. We have filed a plea and are in the process of discovery. It seems that Plaintiff is intent on proceeding. The potential cash outflow could not be determined at this stage.

**50.2 Wavelengths**

The claim is for specific performance in terms of an agreement to purchase land to a value of R28m for housing purposes. The potential cash outflow can be around R 28m.

**50.3 Divine Inspiration Trading**

The matter was between the municipality and the retail store for the sale of motor vehicle spares and accessories named Torque. Torque disregarded the municipal regulations and after all attempts by the Planning Department to resolve this issue, the municipality applied for an interdict. This matter has to a great extent been finalised. The only issue that remains outstanding pertains to who shall be held responsible for payment of the legal costs. Should the court find against the municipality in the application for legal costs, it shall be liable for payment of the cost of the Applicant. The estimated part and party cost in this matter can amount to approximately R 250,000 and R 300,000.

**50.4 Civils 2000**

Civils claimed escalation fees in respect of extension of time from Bitou. Bitou opposed these claims and submitted a counterclaim based on penalties. The matter was referred to arbitration and was settled between the parties by virtue of an agreement signed by the Executive Mayor on 5 August 2011. The settlement included the claimants capital claim, interest and a contribution towards its legal fees amounting to R 1,545,631.

**51 CONTINGENT ASSET****51.1 Cape Joint Pension Fund Shortfall in Annual Earnings**

The Cape joint Pension Fund rendered an account for a shortfall in the fund's returns to the municipality for the amount of R 1 410 166.25. The municipality recognised the amount as Employee Benefits (See Note 7 ) but the municipality, together with several other municipalities, objected to the account and awaits a decision by the Trustees of the fund. If successful, the surplus for the year will increase by the amount and Employee Benefits decrease.

**51.2 Bowtie Properties CC**

The claim is between the municipality and Bowtie Properties whereby Bowtie is liable for payment of rates and taxes as well as interest on outstanding account to the municipality in terms of the Municipal Structures Acts. If the court rules in favour of the municipality, the amount that is due to the municipality from 1 July 2006 to 30 June 2009 will amount to R 429,440.93

**51.3 Dataforce 63**

The claim is between the municipality and Dataforce Trading 63 whereby Dataforce Trading 63 is liable for payment of rates and taxes as well as interest on outstanding account to the municipality in terms of the Municipal Structures Acts. If the court rules in favour of the municipality, the amount that is due to the municipality from 1 July 2007 to March 2010 will amount to R 127,143.26

**51.4 BM/Evans**

The claim is between the municipality and BM/Evans whereby the municipality sued for rates and taxes and the Defendant entered and appearance to defend. Judgement was granted against the Defendant for capital, plus interest and cost.





## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

## 52.1 Related Party Transactions

	Rates - Levied 1 Jul 10 - 30 Jun 11	Service Charges - Levied 1 Jul 10 - 30 Jun 11	Other - Levied 1 Jul 10 - 30 Jun 11	Outstanding Balances 30 June 2011
<b>Year ended 30 JUNE 2011</b>				
<b>Councillors</b>	<b>26,208</b>	<b>115,127</b>	<b>6,187</b>	<b>35,952</b>
Mvimbi L.L.	-	22,551	-	-
Luiters L.	-	2,850	5,959	-
Xego D.	-	1,686	-	-
Sishuba M.	-	2,147	-	-
Terblanche VC	2,726	13,321	-	-
Dreyer C.L.	23,482	69,280	-	-
Paulse E.E.	-	1,962	-	-
Van Rhyner A.	-	459	-	-
De Waal N.	-	318	-	2,469
Olivier A.R.	-	287	-	7,511
Stuurman J.N.	-	266	-	12,285
Gcabayi S.E.	-	-	228	13,687
<b>Municipal Manager and Section 57 Employees</b>	<b>9,920</b>	<b>56,933</b>	<b>-</b>	<b>-</b>
Ngoqo LMR	5,119	20,457	-	-
Mattheus CMB	4,801	27,479	-	-
Ngqumshe P.	-	8,997	-	-
<b>Year ended 30 JUNE 2010</b>				
<b>Councillors</b>	<b>-</b>	<b>94,090</b>	<b>8,159</b>	<b>10,823</b>
Mvimbi L.L.	-	19,207	-	-
Luiters L.	-	2,979	8,159	7,059
Xego D.	-	1,629	-	-
Sishuba M.	-	1,676	-	-
Terblanche VC	-	21,574	-	3,764
<b>Municipal Manager and Section 57 Employees</b>	<b>10,436</b>	<b>47,878</b>	<b>-</b>	<b>-</b>
Ngoqo LMR	4,742	17,302	-	-
Mattheus CMB	5,694	22,417	-	-
Ngqumshe P.	-	8,159	-	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related party transactions includes Councillors whose term ended on 18 May 2011 and Councillors whose term started on 18 May 2011.

## 52.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

## 52.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

## 52.4 Other related party transactions

Refer to note 43.8 for other related party transactions.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

53

## TRANSITIONAL PROVISION FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

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## 53.1 GRAP 12 - Inventories

The municipality did not measure the water inventory in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised water inventory:

Water inventory

103,121

## 53.2 GRAP 16 - Investment Properties

The municipality did not measure all Investment Properties in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:

Investment Property: Cost

96,632,986

Investment Property: Accumulated Depreciation

(204,292)

96,428,694

## GRAP 17 - Property Plant and Equipment

The municipality did not measure all Property Plant and Equipment in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Property Plant and equipment were measured in accordance with GRAP 17 and restated retrospectively:

PPE Cost

110,376,244

PPE Accumulated Depreciation

(1,992,141)

108,384,103

## GRAP 102 - Intangible Assets

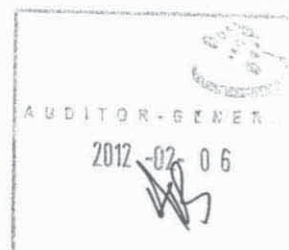
Intangible assets was carried at provisional amounts as the measurement exemptions was taken according to Directive 4, issued by the Accounting Standards Board. Since the previous reporting date, all intangible assets were measured in terms of GRAP 102 and restated retrospectively.

Intangible Assets Cost

(648,911)

Intangible Assets Accumulated Amortisation

12,797

(636,114)



## 12. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value										
	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance R	B/F Restatements	Restated Opening Balance	Additions R	Under Construction R	Disposals R	Impairments	Closing Balance R	Opening Balance R	B/F Restatements
Land and Buildings	166,996,293	-	166,996,293	13,649,786	3,899,691	-	223,080	184,411,500	21,664,128	-
Land	129,886,684	-	129,886,684	11,031,668	3,947,368	-	-	144,864,920	-	-
Buildings	37,109,408	-	37,109,408	2,618,118	52,133	-	223,080	39,546,580	21,664,128	-
Infrastructure	374,804,714	-	374,804,714	56,079,271	17,931,909	8,289	10,243	448,797,481	107,896,843	-
Roads	110,480,385	-	110,480,385	6,412,614	12,373,284	8,289	-	129,257,694	34,882,352	-
Sewerage Mains and Purification	61,692,092	-	61,692,092	6,785,117	470,517	-	-	68,417,100	23,429,353	-
Electricity Mains	32,535,013	-	32,535,013	10,282,731	470,517	-	-	43,288,261	6,774,225	-
Water Supply, Cold Equipment	23,825,872	-	23,825,872	3,185,840	240,930	-	-	27,252,447	2,477,145	-
Water Mains and Purification	14,864,872	-	14,864,872	16,309,833	-	-	-	31,164,705	7,164,654	-
Water Reservoirs	20,621,587	-	20,621,587	2,164,199	1,083,478	-	-	23,869,264	6,573,712	-
Water Mains	87,538,079	-	87,538,079	10,950,000	3,783,700	-	-	102,269,099	23,593,328	-
Landfill Sites	3,317,013	-	3,317,013	-	-	-	10,243	3,306,769	3,022,078	-
Community Assets	20,330,413	-	20,330,413	5,645,626	778,806	-	129,811	26,834,634	9,228,546	-
Parks and Gardens	5,262,107	-	5,262,107	980,555	-	-	-	6,242,662	2,148,102	-
Libraries	1,857,279	-	1,857,279	-	-	-	129,811	1,727,468	109,610	-
Recreation Grounds	10,595,791	-	10,595,791	4,694,971	778,806	-	-	16,070,568	4,985,989	-
Other Buildings	2,041,235	-	2,041,235	-	-	-	-	2,041,235	1,885,964	-
Lease Assets	917,164	-	917,164	2,604,299	-	-	-	3,481,463	389,081	-
Office Equipment	917,164	-	917,164	2,504,298	-	-	-	3,421,463	359,081	-
Other Assets	28,989,402	-	28,989,402	1,286,621	884,737	6,274,256	78,700	28,778,766	12,880,409	-
Office Equipment	7,632,778	-	7,632,778	910,910	-	3,879,542	-	4,667,105	1,211,991	-
Furniture and Fixings	3,320,981	-	3,320,981	121,097	-	38,822	-	3,403,436	1,021,298	-
Bins and Containers	15,636	-	15,636	-	-	15,636	-	-	15,636	-
Emergency Equipment	187,521	-	187,521	63,336	-	2,383	-	253,474	59,255	-
Motor Vehicles	12,186,396	-	12,186,396	-	-	946,464	78,700	11,163,233	7,337,925	-
Fire Engines	2,789,878	-	2,789,878	-	884,737	375,000	-	3,109,615	1,262,528	-
Refuse Tankers	1,240,448	-	1,240,448	-	-	-	-	1,240,448	942,826	-
Computer Equipment	2,585,744	-	2,585,744	165,279	-	19,578	-	2,741,445	1,009,950	-
	693,018,975	-	693,018,975	79,144,803	23,604,953	8,282,844	448,834	890,034,114	162,000,007	-
									162,000,007	-
									16,810,163	1,689,080
									272,842	165,841,246
									624,192,857	

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## Reconciliation of Carrying Value

	Opening Balance	B/F Restatements	Restated Opening Balance	Cost Additions - Restated	Under Construction - Restated	Disposal - Restated	Impairments	Closing Balance	Opening Balance	B/F Restatements	Restated Opening Balance	Accumulated Depreciation Additions - Restated	Disposal - Restated	Impairments	Closing Balance	Carrying Value
	R	Note - 36.01	R	R	R	R	R	R	R	Note - 36.01	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>42,077,001</b>	<b>110,772,643</b>	<b>152,849,644</b>	<b>13,674,247</b>	<b>631,401</b>	-	-	<b>166,523,891</b>	<b>21,428,016</b>	<b>(1,022,406)</b>	<b>20,405,609</b>	<b>1,250,519</b>	-	-	<b>21,654,128</b>	<b>146,341,165</b>
Land	9,869,521	110,913,859	120,783,380	9,105,524	-	-	-	129,885,904	-	-	-	-	-	-	129,885,904	15,455,260
Buildings	32,210,481	(141,196)	32,069,285	4,408,723	631,401	-	-	37,109,408	21,428,015	(1,022,406)	20,405,609	1,250,519	-	-	21,654,128	-
<b>Infrastructure</b>	<b>285,631,013</b>	<b>(67,710,929)</b>	<b>217,920,084</b>	<b>72,674,434</b>	<b>26,710,166</b>	-	-	<b>374,604,714</b>	<b>101,025,746</b>	<b>(286,636)</b>	<b>100,739,109</b>	<b>7,140,733</b>	-	-	<b>107,879,843</b>	<b>286,407,671</b>
Roads	81,410,449	109,582	81,520,031	22,989,254	5,951,069	-	-	110,460,345	33,162,436	(179,241)	32,983,106	1,909,166	-	-	34,892,352	75,568,033
Sewerage Mains and Purification	62,332,601	(4,334,677)	58,000,000	10,439,181	13,194,987	-	-	81,632,092	21,912,479	(15,385)	21,897,084	1,532,259	-	-	23,429,353	58,222,739
Electricity Mains	24,490,064	(10)	24,490,064	7,504,748	540,200	-	-	32,535,013	6,219,651	-	6,219,651	554,574	-	-	6,774,225	25,760,788
Electricity Peak Load Equipment	14,307,860	(2,907,747)	11,400,113	12,425,539	-	-	-	32,825,672	2,225,258	(11,140)	2,214,119	283,025	-	-	2,497,145	21,348,528
Water Mains and Purification	20,889,646	(1,984,480)	18,905,165	-	1,783,833	-	-	14,894,672	6,670,200	(7,686)	6,662,984	502,152	-	-	7,164,654	7,660,718
Water Mains - Water	65,709,078	(709,448)	64,999,630	19,315,711	1,438,427	-	-	87,535,079	21,985,709	(10,853)	21,974,856	1,814,400	-	-	23,789,259	14,047,273
Landfill Sites	3,239,564	-	3,239,564	-	78,449	-	-	3,317,013	2,698,219	-	2,698,219	323,657	-	-	3,022,076	60,437,937
<b>Community Assets</b>	<b>16,247,642</b>	<b>-</b>	<b>16,247,642</b>	<b>3,563,392</b>	<b>620,379</b>	<b>-</b>	<b>-</b>	<b>20,330,413</b>	<b>6,892,127</b>	<b>(384,488)</b>	<b>6,507,639</b>	<b>721,907</b>	<b>-</b>	<b>-</b>	<b>7,229,546</b>	<b>11,100,087</b>
Parks and Gardens	4,146,498	-	4,146,498	1,115,608	-	-	-	5,262,107	2,072,913	(140,018)	1,872,895	275,206	-	-	2,148,102	3,114,006
Libraries	827,030	-	827,030	1,230,248	-	-	-	1,857,278	86,709	-	86,709	20,901	-	-	108,610	1,747,669
Recreation Grounds	8,832,878	-	8,832,878	1,207,533	529,379	-	-	10,569,791	4,811,211	(164,214)	4,646,998	338,672	-	-	4,985,669	5,583,821
Civic Buildings	2,641,235	-	2,641,235	-	-	-	-	2,641,235	1,979,294	(60,237)	1,899,037	86,828	-	-	1,985,864	435,371
<b>Lease Assets</b>	<b>723,814</b>	<b>-</b>	<b>723,814</b>	<b>193,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>917,154</b>	<b>212,719</b>	<b>-</b>	<b>212,719</b>	<b>146,363</b>	<b>-</b>	<b>-</b>	<b>359,081</b>	<b>468,073</b>
Other Equipment	723,814	-	723,814	193,340	-	-	-	917,154	212,719	-	212,719	146,363	-	-	359,081	468,073
<b>Other Assets</b>	<b>15,339,616</b>	<b>9,314,530</b>	<b>24,654,146</b>	<b>5,318,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,972,402</b>	<b>10,166,690</b>	<b>(316,610)</b>	<b>9,641,280</b>	<b>3,019,129</b>	<b>-</b>	<b>-</b>	<b>12,660,409</b>	<b>17,105,993</b>
Other Equipment	2,739,569	503,182	3,242,751	4,390,026	-	-	-	7,632,776	289,628	90,835	300,463	831,638	-	-	1,211,891	6,420,287
Furniture and Fittings	569,849	2,199,970	2,769,819	523,143	-	-	-	3,320,961	53,516	534,417	587,932	433,387	-	-	1,021,298	2,286,663
Bins and Containers	15,636	-	15,636	-	-	-	-	15,636	15,636	-	15,636	-	-	-	15,636	15,636
Emergency Equipment	139,068	46,070	185,138	2,383	-	-	-	187,521	16,591	8,631	26,222	33,033	-	-	59,255	129,266
Motor Vehicles	8,307,862	3,878,534	12,186,396	-	-	-	-	12,186,396	7,377,578	(1,120,801)	1,081,147	1,081,147	-	-	7,337,925	4,146,472
Fire Engines	1,491,165	1,298,722	2,789,878	-	-	-	-	2,789,878	1,050,024	(355,534)	6,325	148,278	-	-	1,237,350	1,237,350
Refuse Tankers	1,240,488	-	1,240,488	402,705	-	-	-	1,240,488	113,429	463,626	577,055	432,894	-	-	942,625	297,662
Computer Equipment	803,987	1,398,052	2,193,039	-	-	-	-	2,995,744	-	-	-	-	-	-	1,009,950	1,595,794
	<b>380,016,086</b>	<b>110,378,244</b>	<b>470,394,330</b>	<b>95,253,689</b>	<b>27,370,976</b>	<b>-</b>	<b>-</b>	<b>603,016,975</b>	<b>141,713,698</b>	<b>(1,992,141)</b>	<b>139,721,337</b>	<b>12,278,650</b>	<b>-</b>	<b>-</b>	<b>152,000,007</b>	<b>441,616,968</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

## GRAP 17 - Property, Plant and Equipment

The municipality did not measure or recognise all Property Plant and Equipment in the past in terms of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. Since the previous reporting date, PPE was measured and recognised in accordance with GRAP 17 and restated retrospectively. All infrastructure and community assets was limited and accumulated depreciation have been recalculated.

Since the previous reporting date, the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

	2010
Property, Plant and Equipment	110,378,244
Accumulated Depreciation	(1,992,141)
<b>Total</b>	<b>108,386,103</b>

Since the previous reporting date, useful lives of the following Property, Plant and Equipment were reviewed in accordance with GRAP 17 and restated retrospectively. The effect on depreciation was as follows:

	2010
Infrastructure Assets	(247,673)
Intangible Assets	(32,438)
Community Assets	(327,876)
Other Assets	(191,609)
<b>Total</b>	<b>(799,396)</b>

The effect of depreciation on items of PPE with residual value adjustments were as follows:

	2010
Other Assets	(2,181,239)

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**APPENDIX A - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

<b>EXTERNAL LOANS</b>	<b>Original Loan Amount</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2010</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2011</b>
<b>LONG-TERM LOANS</b>								
Development Bank	7,400,000	10.95%	11200	2019/12/31	3,514,357	-	370,000	3,144,357
Development Bank	7,480,000	11.24%	13655	2020/12/31	4,129,168	-	393,684	3,735,483
Development Bank	15,656,000	16.00%	100225	2022/12/31	10,300,000	-	824,000	9,476,000
Development Bank	15,000,000	9.14%	102541	2017/06/30	11,807,787	-	1,270,418	10,537,369
Development Bank		10.64%		2029/06/30	26,552,814	-	445,517	26,107,296
Development Bank		10.72%		2024/06/30	2,721,956	-	87,061	2,634,894
Development Bank		10.42%		2014/06/30	3,359,010	-	712,288	2,646,722
Standard Bank	2,900,000	10.56%		2020/06/30	2,900,000	-	138,802	2,761,199
Standard Bank	20,200,000	11.45%		2025/06/30	20,200,000	-	566,604	19,633,396
Standard Bank	500,000	11.45%		2020/06/30	500,000	-	28,829	471,172
First National Bank	3,400,000	10.45%		2015/06/30	3,400,000	-	549,198	2,850,802
Standard Bank	16,580,000	11.26%		2021/06/30	-	16,580,000	-	16,580,000
<b>Total Long-term Loans</b>					<b>89,385,090</b>	<b>16,580,000</b>	<b>5,386,402</b>	<b>100,578,688</b>
<b>HIRE PURCHASE</b>								
Wesbank	461,825	PRIME LESS 1.75%		2011/03/30	91,418	-	91,418	-
<b>Total Hire Purchase</b>					<b>91,418</b>	<b>-</b>	<b>91,418</b>	<b>-</b>
<b>LEASE LIABILITY</b>								
Finance Leases					532,164	2,504,299	1,104,266	1,932,207
<b>Total Lease Liabilities</b>					<b>532,164</b>	<b>2,504,299</b>	<b>1,104,266</b>	<b>1,932,207</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>90,008,671</b>	<b>19,084,299</b>	<b>6,582,075</b>	<b>102,510,895</b>

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**APPENDIX B  
BITOU LOCAL MUNICIPALITY**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY AS AT 30 JUNE 2011  
GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
Executive & Council	3,967,199	165,421	-	93,148	4,039,471	1,516,084	607,530	38,011	2,085,604
Budget & Treasury	276,545,593	15,234,232	2,060,675	3,807,717	290,032,764	24,883,170	3,208,029	510,485	27,580,714
Planning & Development	576,871	16,325	-	132	593,064	199,813	103,028	42	302,800
Community & Social Services	3,653,183	65,910	-	179,442	3,539,651	681,676	332,520	60,036	954,160
Housing	3,468,699	381,931	3,947,368	1,237	7,796,762	388,598	184,284	503	572,380
Public Safety	5,996,955	522,584	894,737	965,914	6,448,363	2,865,018	462,955	898,333	2,429,640
Sport & Recreation	18,571,759	5,736,226	830,939	130,644	25,008,280	8,060,623	960,510	68,561	8,952,552
Waste Management	5,080,162	-10,243	-	99,311	4,970,608	4,245,250	247,578	32,534	4,460,294
Waste Water Management	83,077,156	6,999,457	-	35,900	90,040,716	24,127,505	2,194,418	16,580	26,305,343
Road Transport	114,478,355	6,415,009	12,373,284	19,278	133,247,370	36,750,018	3,190,525	7,923	39,932,620
Water	124,673,599	29,503,363	4,847,177	122,520	158,901,620	38,483,910	3,229,807	108,673	41,605,044
Electricity	58,135,594	13,515,374	711,447	250,693	72,111,721	10,343,180	1,527,773	222,340	11,648,613
Other	2,046,185	-	-	16,240	2,029,945	740,309	292,463	4,883	1,027,888
	<b>700,271,312</b>	<b>78,545,588</b>	<b>25,665,628</b>	<b>6,722,175</b>	<b>798,760,355</b>	<b>153,285,155</b>	<b>16,541,420</b>	<b>1,968,922</b>	<b>167,857,653</b>
									<b>630,902,702</b>

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**APPENDIX C - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
21,103,965	(45,856,665)	(24,752,699)	Executive & Council	20,778,281	(54,059,197)	(33,280,916)
61,123,925	(27,338,148)	33,785,777	Budget & Treasury	67,714,487	(29,001,429)	38,713,058
-	(10,274,060)	(10,274,060)	Municipal Manager	-	(8,878,491)	(8,878,491)
3,148,153	(10,559,242)	(7,411,090)	Planning & Development	12,362,052	(7,851,770)	4,510,282
-	-	-	Health	-	(30,472)	(30,472)
241,760	(5,319,251)	(5,077,491)	Community & Social Services	398,543	(8,161,979)	(7,763,436)
44,853,718	(31,184,045)	13,669,672	Housing	34,625,352	(31,146,932)	3,478,420
6,159,052	(12,503,082)	(6,344,030)	Public Safety	6,533,057	(17,482,365)	(10,949,308)
823,771	(11,925,994)	(11,102,223)	Sport & Recreation	237,409	(14,302,232)	(14,064,823)
10,955,391	(11,437,083)	(481,692)	Waste Management	13,245,206	(13,726,737)	(481,530)
22,936,289	(10,027,928)	12,908,361	Waste Water Management	26,373,615	(11,594,388)	14,779,226
-	(17,633,995)	(17,633,995)	Road Transport	-	(17,830,150)	(17,830,150)
53,329,000	(16,455,203)	36,873,796	Water	59,101,268	(18,715,609)	40,385,659
67,512,503	(53,465,441)	14,047,062	Electricity	86,823,693	(65,454,651)	21,369,043
1,013,015	(7,452,028)	(6,439,013)	Other	189,157	(5,470,157)	(5,281,000)
293,200,541	(271,432,166)	21,768,376	Sub Total	328,382,119	(303,706,558)	24,675,562
-	-	-	Less Inter-Departmental Charges	-	-	-
293,200,541	(271,432,166)	21,768,376	<b>Total</b>	328,382,119	(303,706,558)	24,675,562



**APPENDIX D (1) - Unaudited  
BITOU LOCAL MUNICIPALITY  
REVENUE AND EXPENDITURE  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011  
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	64,366,830	65,500,000	(1,133,170)	-1.73%	
Government Grants and Subsidies - Capital	61,215,142	89,534,341	(28,319,199)	-31.63%	All projects not completed yet, forms part of unspent grants
Government Grants and Subsidies - Operating	46,391,679	57,515,523	(11,123,844)	-19.34%	Housing classified as Operating grant, project not yet finished
Public Contributions and Donations	3,636,357	2,212,000	1,424,357	64.39%	More property developments approved than expected
Fines	5,725,133	5,504,000	221,133	4.02%	
Third Party Payments	54,988	-	54,988	0.00%	
Service Charges	137,025,785	142,068,026	(5,042,241)	-3.55%	
Rental of Facilities and Equipment	900,588	1,028,522	(127,934)	-12.44%	Decrease in rental income, smoothing of leases from rental votes to asset and liability
Interest Earned - External Investments	1,183,619	1,400,000	(216,381)	-15.46%	Decrease in interest rates and decrease cash available for investment purposes
Interest Earned - Outstanding Debtors	2,779,932	2,500,000	279,932	11.20%	Growth in outstanding debtors due to economic climate
Licences and Permits	61,235	35,000	26,235	74.96%	Increased number of vehicles registered
Other Revenue	5,040,831	6,985,753	(1,944,922)	-27.84%	Less income received on cemetery fees, building plans, connection fees etc.
Gains on Disposal of PPE	-	1,500,000	(1,500,000)	-100.00%	Revenue from sale of of immovable property did not realised
<b>Total Revenue</b>	<b>328,382,119</b>	<b>375,783,165</b>	<b>(47,401,046)</b>		
<b>EXPENDITURE</b>					
Executive & Council	(62,937,688)	(50,349,230)	(12,588,458)	25.00%	Increased expenditure i.r.o Employee Benefits (TASK implementation, subsidies, and skills development levy.
Budget & Treasury	(29,001,429)	(28,115,546)	(885,883)	3.15%	
Planning & Development	(7,851,770)	(10,216,006)	2,364,236	-23.14%	Saving on vacancies not filled and other cost savings.
Health	(30,472)	-	(30,472)	0.00%	
Community & Social Services	(8,161,979)	(7,670,068)	(491,911)	6.41%	
Housing	(31,146,932)	(27,755,679)	(3,391,253)	12.22%	Operating grant expenditure increased due to recognition of unspent grant
Public Safety	(17,482,365)	(15,392,274)	(2,090,091)	13.58%	Increased cost to implement speed law
Sport & Recreation	(14,302,232)	(12,535,443)	(1,766,789)	14.09%	Increased personnell expenditure due to seasonal workers and increased Parks Maintenance
Waste Management	(13,726,737)	(11,848,945)	(1,877,792)	15.85%	Increased cost that relates to the closure of the landfill site and refuse removal
Waste Water Management	(11,594,388)	(10,477,762)	(1,116,626)	10.66%	Increase in depreciation due to fully GRAP implementation
Road Transport	(17,830,150)	(18,426,594)	596,444	-3.24%	
Water	(18,715,609)	(16,888,248)	(1,827,361)	10.82%	Increase in depreciation due to fully GRAP implementation
Electricity	(65,454,651)	(66,444,048)	989,397	-1.49%	
Other	(5,470,157)	(6,235,031)	764,874	-12.27%	Cost savings on certain votes
<b>Total Expenditure</b>	<b>(303,706,558)</b>	<b>(282,354,874)</b>	<b>(21,351,684)</b>		
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>24,675,562</b>	<b>93,428,291</b>	<b>(68,752,729)</b>		





**APPENDIX D (2) - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	132,421	-	132,421	470,007	(337,586)	-71.83%	Certain projects not proceeded with
Budget & Treasury	7,720,531	2,060,675	9,781,207	10,692,500	(911,293)	-8.52%	
Municipal Manager						0.00%	
Planning & Development	26,325	-	26,325	101,538	(75,213)	-74.07%	Certain projects not proceeded with Central library project did not progressed as planned
Community & Social Services	447,896	-	447,896	10,144,269	(9,696,373)	-95.58%	Purchase transaction for additional land not concluded at year end
Housing	14,144,465	3,947,368	18,091,834	37,031,000	(23,958,568)	-64.70%	Fire pumper not fully manufactured and
Public Safety	1,411,313	894,737	2,306,050	2,227,082	78,968	3.55%	delivered
Sport & Recreation	5,354,240	830,939	6,185,179	7,638,497	(1,453,318)	-19.03%	Upgrade of Kwanokuthula sportsfield not Did not proceed with projects because of insufficient budget
Waste Management	(10,243)	-	(10,243)	80,000	(90,243)	-112.80%	
Waste Water Management	1,982,753	-	1,982,753	2,304,613	(321,860)	-13.97%	Main Street case not finalised and NDPG project not completed at year end
Road Transport	2,148,131	12,373,284	14,521,415	14,404,629	116,786	0.81%	
Water	31,444,064	4,847,177	36,291,241	34,145,933	2,145,308	6.28%	
Electricity	13,725,944	711,447	14,437,391	17,429,724	(2,992,333)	-17.17%	Demand site management project not completed at year end
Other	-	-	-	-	-	0.00%	
Total	78,527,840	25,665,628	104,193,469	136,669,792	(32,476,324)	-23.76%	

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**APPENDIX E - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2010	Correction of error	Restated balance 01-Jul-10	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>							
<b>National Government Grants</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Equitable Share	-	-	-	17,536,395	17,536,395	-	-
MIG Grant	9,094,153	-	9,094,153	-	53,824	9,040,329	-
National Electrification Programme	1,959,534	(523,017)	1,436,516	10,000,000	-	11,193,967	242,550
Neighbourhood Development Partnership Grant	3,531,807	-	3,531,807	14,709,148	-	10,709,059	7,531,896
Drought Relief Grant	-	-	-	20,000,000	-	20,000,000	-
Financial Management Grant	-	-	-	2,750,000	2,750,000	-	-
Municipal Systems Improvement Grant	-	-	-	750,000	750,000	-	-
<b>Total National Government Grants</b>	<b>14,585,494</b>	<b>(523,017)</b>	<b>14,062,476</b>	<b>65,745,543</b>	<b>21,090,219</b>	<b>50,943,355</b>	<b>7,774,446</b>
<b>Provincial Government Grants</b>							
Provincial Management Support Grant	324,600	-	324,600	-	160,395	-	164,205
Community Development Workers	-	-	-	75,000	75,000	-	-
Libraries	-	-	-	350,000	350,000	-	-
MMC Kurland	16,818	-	16,818	-	-	-	16,818
Spatial Planning	84,200	-	84,200	-	-	-	84,200
Revitalise Urban Areas	50,000	-	50,000	-	-	-	50,000
Socio Economic Upgrade Informal Settlements	50,000	-	50,000	-	-	-	50,000
Traffic Disaster	782	-	782	-	-	-	782
Provincial Housing Grant	7,423,123	-	7,423,123	52,405,094	24,716,065	9,271,788	25,840,364
<b>Total Provincial Government Grants</b>	<b>7,949,523</b>	<b>-</b>	<b>7,949,523</b>	<b>52,830,094</b>	<b>25,301,460</b>	<b>9,271,788</b>	<b>26,206,369</b>
<b>District Municipality Grants</b>							
Eden Water Assistance Grant	-	-	-	1,000,000	-	1,000,000	-
<b>Total District Municipality Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>
<b>Total</b>	<b>22,535,016</b>	<b>(523,017)</b>	<b>22,011,999</b>	<b>119,575,637</b>	<b>46,391,678</b>	<b>61,215,143</b>	<b>33,980,814</b>

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